



ROLE OF WTO IN THE LIBERALISATION OF WORLD TRADE - A CASE STUDY OF INDIA

**ABSTRACT
OF THE THESIS**

SUBMITTED FOR THE AWARD OF THE DEGREE OF

Doctor of Philosophy
IN
COMMERCE

BY
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Under the Supervision of
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DEPARTMENT OF COMMERCE
ALIGARH MUSLIM UNIVERSITY
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ABSTRACT

The hub of economic activities on the world horizon keep on changing and so changes the human efforts to maximise the benefits from trade. International trade which is one of the most vital component of economic activities has been obstructed most often by the turn of event in the world history.

At the time of great depression (1929-32) and then World War IInd (1939-45) the world economy suffered heavily. The desired trends in transfer of capital, domestic savings, process of trade liberalisation and inter-financial co-operation got highly distorted and the pinch was felt by the world as a whole. To address such issues various international institutions e.g., International Bank for Reconstruction and Development (IBRD) or World Bank and International Monetary Fund (IMF) were established. The need for providing nondiscriminatory multilateral trade was also felt. Twenty three countries entered into tariff negotiations. These negotiations, conducted bilaterally, on a product by product basis, resulted in 123 bilateral agreements on reduction of trade barriers. The bilateral agreements were consolidated and embodies in "General

Agreement on Tariffs and Trade (GATT) and the Final Act was signed on October 30, 1947.

The highest body of GATT was the session of contracting parties which was usually held annually. GATT decisions were generally arrived at by consensus and not by vote, and when on rare occasions voting took place, each contracting party (member country) exercised one vote. The main objective of GATT was to ensure free flow of international trade in order to optimally use the available world resources in the interest of humanity.

Under the auspices of GATT, eight multilateral trade negotiations of GATT were held to discuss and negotiate on different issues. They started from 1947 and lasted till 1994. The first round of GATT was held at Geneva (Switzerland) in 1947, the second at Annecy (France) in 1949, the third at Torquay (England) in 1951, the fourth took place at Geneva (Switzerland) in 1956, the fifth called Dillon Round was also held at Geneva (Switzerland) in 1960-61, the sixth was Kennedy Round and it was again held at Geneva (Switzerland) in 1964-67, the seventh round (Tokyo Round) was held in Tokyo (Japan) in 1973-79. The eighth and the last round was held at Punta del Este (Uruguay)/Geneva 1986-1994.

As a result of various tariff concessions and removal of restrictions the world trade became twice as much in the real terms during the GATT period. During these years the increase in the trade in terms of value was of the order of 13 per cent annually (average) and 10 per cent per year (average) in volume. The average annual growth rate in the world output was 5.5 percent.

After a series of meetings of Uruguay Round of Multilateral Trade Negotiations, a Trade Negotiation Committee meeting of ministerial level was held at Marrakesh (the capital of Morocco) on April 15, 1994 with 124 member countries. The committee decided to do away with the GATT and created the World Trade Organisation to take over the functioning of GATT. The W.T.O. would act as a permanent watchdog of international trade. Thus the World Trade Organisation (WTO) came into being on January 1st, 1995 as the only international body which now deals with the rules of trade between nations. The WTO is the legal and institutional foundation of the multilateral trading system.

In a nutshell the W.T.O's objectives are, to reduce tariff barriers and other obstacles to trade; to facilitate higher standards of living, full employment, expansion of production and trade, raising the real income of the member countries;

to facilitate the optimal utilisation of the world's resources for sustainable development; to promote an integrated, more viable and durable trading system with all resolutions of the Uruguay Round's multilateral trade negotiations; and to resolve the trade dispute between member countries.

To achieve the said objectives the WTO Agreements include: (a) Multilateral Agreement on Trade in Goods, (b) General Agreement on Trade in Services, (c) agreement on TRIPs, (d) rules and procedure regarding Dispute Settlement Understanding, (e) Trade Policy Review Mechanism, (f) plurilateral trade agreements.

At the latest and fourth Ministerial Conference held at Doha, the developing countries listed 102 issues for negotiations. The implementation issues were divided into , (a) the relevant implementation issues to be discussed under mandate and, (b) outstanding issues to be taken as priority issues and be acted upon by the end of 2002. The outstanding implementation issues will be considered as an integral part of the Ministerial Work Programme.

India played pro-active role in the deliberations at the fourth Ministerial Conference at Doha. India wanted genuine implementation of resolution related to increased market

access in agriculture, sufficient clarity and flexibility under TRIPs agreement for public health policies and was strongly opposed to the introduction of non-trade issues like labour standards in the agenda.

Under TRIPs, India look for greater flexibility and clarity in the explanation of the Agreement on TRIPs in order to ensure affordable access to essential medicines and life saving drugs, in keeping with the public health concerns of developing countries. India, the African group of countries, Barbados, Bolivia, Brazil, Dominican Republic, Philippines, Peru, Sri Lanka, Thailand and Venezuela jointly submitted a paper on TRIPs and public health to the TRIPs Council in which India, along with co-sponsors, had demanded that the WTO should ensure that the TRIPs Agreement does not undermine the right of WTO members to formulate their own public health policies and adopt measures for providing affordable access to medicines.

The study highlighted that India gained form many of the WTO provisions but on many grounds it was adversely affected by WTO agreements. The contribution of both the secondary and tertiary sectors to GDP rose as compared with the primary sector. The structural changes brought about in the economy also resulted in increased share of manufactured

goods in India's trade during the post WTO era. The GDP growth rate under WTO is also not disappointing. But the most depressing effect of WTO is on the displacement of our workers engaged in small and medium industries. The employment has declined in both the rural and urban sectors. In terms of total number of jobs, about 7 million Indian workers lost their jobs in both rural and urban areas during the period of 1990-98 because of removal of quantitative restrictions on India's exports from April 2001. It failed to improve the standards of living of our people specially in percolating down the gains to poor section of society. By opening-up of market access under free trade, developed countries have free access in the market of developing countries while developing countries face several problems in the name of environment and labour standards.

Developed countries extends large amount of subsidies to their farmers in order to enable them to export farm products at competitive rate in the world market. These steps have discriminated exports from developing countries. This will increase the competitiveness of Indian manufacturers and exporters with other countries.

Under TRIPs agreement, Indian farmers and small artisans can not get patented their products because of high

expenditure. There are several plants and products such as neem and basmati rice which have Indian origin but are being patented by the West. India adopted its own Patent Act in 1970 pursuing innovative approach in the process of production as well as in final products. India evolved the techniques costing much less in the processes of production of many agricultural and pharmaceutical products, which are now being claimed by the developed countries as their own.

Under TRIMs Indian companies face tough competitions from the multinationals enjoying worldwide network. The provisions of TRIMs treating multinationals on equal terms and exempting them from using local raw materials and export obligations means the developing countries becoming the colonies of developed countries. Similarly under GATS, the free trade in services like banking, shipping, transport, telecommunications, etc. are promoting growth in the developed countries by providing large market in developed countries. The technology transfer clause under GATS has not benefited India much. The labour movement is restricted only to perform the particular services normally performed by the professionals of developed countries. The mobility of unskilled labour has been excluded from WTO agreements. Because of paucity of funds for improving technology, there

is a possibility of merger and acquisition of Indian companies by multinational, closure of small and medium level industries and the displacement of workers both in rural and urban areas.

India should face the international competitiveness which may be achieved through upgrading the technology, improving the quality of products, adoption of cost effective techniques of production, develop infrastructure and managerial skills.

It is realised that the rapid progress of the developed countries owes much to the cheap raw materials and labour of developing countries. Therefore farmers should provide financial assistance generously to the latter and allow them longer time to make adjustments in the resources in order to reach the level where both types of economies compete with each other on the basis of real reciprocity i.e., equal treatment for equal partners.

It is hypothesised in thesis that adopting a cautious trade policy and with entrepreneurial skills India may be able to draw benefits from these opportunities. Some of the important suggestions that may influence India's position in

the new world economic order are detailed in the thesis and are briefly listed below:

1. On the ground of having a negative balance of payment India has able to escape most of the negative effects of provisions in agriculture sector at least for next few years. This available time period may be utilised by India by aggressively adopting the newer technologies used by the developed world in order to increase the productivity per hectare and exploit provisions of WTO that facilitate increased market access of the developed world.
2. TRIPs is one important challenge before India under the provisions of WTO. Indian industries are likely to get initial jolt by this act. However, there are industries which can get their products patented and take similar benefit, Computer software technology is such an example.
3. Further the Patent Act is likely to hit the drug market more severely and in all likelihood the prices of most of the essential and life saving drugs will shoot up (as discussed in chapter six). It is suggested that government need to evolve a public distribution system which

facilitate life saving drugs to, at least, the masses living below poverty line at affordable prices.

4. The developed nations are very conscious in the quality of the products. They have enough resources to buy the quality product. Thus Indian exporters provide goods and services at a quality level which are demanded in international market.
5. India is the country with huge population and it assumed that it has the advantage of low labour cost lead to low cost of production. This advantage need to exploited to the full. India also need to maintain value of product hygienically.
6. Encourage investments in production areas of greater comparative advantage.
7. Multinational participation must be invited in the infrastructure development sector, like cold stores, warehouses, testing laboratories, etc.
8. The Indian manufactures should be provided high quality of raw material at reasonable prices, credit at low rate of interest and infrastructural facilities like stores, warehouses, testing laboratories should be provide to

Indian manufacturers. Attention on good quality packaging may also help.

It is opined by the researcher that if the said suggestions are given due attention by Indian exports in a contextualized way, Indian products would be sold in international markets. The joining of WTO then might prove to be a boom for the economy and a new era of growth and prosperity may be ushered.



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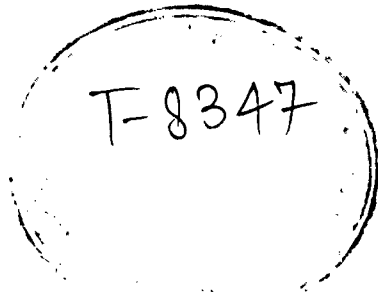
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Certificate

*This is to certify that the thesis entitled '**ROLE OF WTO IN THE LIBERALISATION OF WORLD TRADE - A CASE STUDY OF INDIA**', which is being submitted by **Miss. Shabana Qamar** for the award of the degree of Doctor of Philosophy in Commerce, to Aligarh Muslim University, Aligarh, is an original record of her own research work carried out by her under my supervision and guidance. The work, in my opinion, meets the research standard and is suitable for submission. To the best of my knowledge, the matter embodied in this thesis has not been submitted to any other institution for the award of any degree or diploma.*

28/12/2022
Prof. M. Mushtaque Ahmad
(Supervisor)

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Shabana Qamar
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CHAPTER-1

INTRODUCTION

The classical economists centuries ago, advocated for free trade between the countries to exploit the available natural resources optimally and share the benefits of trade between all. Increasing industrialisation further necessitated the need for increased flow of products from industrialised world to relatively unindustrialised areas of the world.

However, the World War I followed by the great depression of 1930's and immediately succeed by the World War II have together shattered the total confidence of the world economies and has distorted the growth pattern of industrialised nations like - USA (United States of America), Europe, etc. In order to reconstruct and rehabilitate the war torn economies as well as their confidence in the free flow of trade, the need for creation and support independent international institutions like- IBRD (International Bank for Reconstruction and Development), IMF (International Monetary Fund) etc. were sought for. In order to facilitate free flow of trade certain basic principles and guidelines were desired and therefore General Agreement on Tariffs and Trade (GATT) came into being.

This institution was established with the basic objective of ensuring free flow of international trade, so that the increasing gains of trade are shared by one and all, be it the developed nations, developing nations and even less developed nations. However, the developed world has

manoeuvred the provisions of GATT in their own interest, consequently, leading to increasing economic disparity between the north and the south of world.

With the passage of time and increasing gravity of economic crisis in the developing countries, they were forced to borrow heavily from the institutions like IBRD and IMF which led to further increase in the debt servicing burden. On the otherhand the share of US trade in the total world trade that was 34 per cent during 1950c has fallen and reached to as low as 12 per cent in 1980c. Thus the degree of conflict between the developed countries namely USA and European Union (EU) as well as conflict between developed and developing countries was substantially high. These conflicts led to prolonged Uruguay Round (UR) of talks that lasted for about eight years. To end this conflict Mr. Dunkel has assumed the responsibility of preparing the report running into 550 pages and was binding on all member participants. This report also recommended the formation of World Trade Organisation (WTO).

Ratified by 124 numbers, the Uruguay Round gave the birth to WTO on 1st January, 1995. Initially WTO was established to work parallelly with GATT but after year with the GATT passing into nothingness, the WTO begin more of a permanent and legal body. During the short span the WTO has facilitated greater liberalisation to ensure increasing free world trade. No doubt, that these interventions have led to increased world trade and faster globalisation of world economies but, the degree of distribution of gains of trade and terms of trade appears to have larger leverage in favour of developed world.

The developing countries have also been benefited but only marginally. It seems that the threats for developing countries outweigh the opportunities emerging from the set globalisation. Even to exploit the emerging opportunities, India need to be highly strategic and competitive. it is against this backdrop that this project attempt to study the changing economic world environment with the emergence of newer negotiation rounds under GATT followed by establishment of WTO.

Objectives of the Study

This project proposes to take up the detailed study of the WTO so as to assess its performance in right perspective for the developed world in general and its impact for India in particular. The major objectives of the study are as follows:

- To study the background of the world trade.
- To highlight the problems pertaining to free flow of trade with special reference to developing countries.
- To study the genesis of General Agreement on Tariffs and Trade.
- To analyse different agreements taken-up in Uruguay Round of talks.
- To study the theoretical foundation of World Trade Organisation.
- To evaluate the impact of WTO provisions on Indian economy.
- To identify the problems and suggest suitable measures for developing countries, specially, India to exploit the emerging opportunities from the provisions of WTO.

Review of Literature

S.N.Bansal¹ (1981), stated in his book that the U.S.Department of State proposed supplementing the United Nations by an International Trade Organisation, by putting down procedures for reducing tariff barriers and abolishing other obstacles in the flow of international trade. Consequently an International Preparatory Committee convened in Geneva in 1947, started tariff negotiations among 23 countries of the world. These negotiations, conducted bilaterally, and these bilateral agreements were consolidated in General Agreement on Tariffs and Trade (GATT). Its final act was signed on October 30, 1947. Thus, GATT established an international agreement to operating on a world basis to reduce trade barriers and establish a code of conduct and a set of rules in performing international trade. This book also discusses the objectives and provisions of GATT and Indian study in relation to GATT.

P.N. Singh² (1994) said that the accepted package is a great challenges. It has its strength and weaknesses for all the participating countries. Its acceptance is a compulsion. One can meet these challenges not by showing . back but by converting these into opportunities with the help of meaningful and sustained efforts.

B. Mohan³ (1994) says in his paper that whatever the gains and losses from GATT, it would be more prudent to sense realities and move towards making Indian industry more competitive, and integrate the Indian economy with the world economy.

He further said that we have to adopt a two pronged strategy of minimising the adverse impact of the negotiation rounds and maximising trade and investment inflows leading to increase production, employment and incomes. Fortunately, we are best endowed with the necessary natural resources, human and intellectual. We need to harness them on a war footing basis. We must accept GATT, not as a threat but as an opportunity, pull up our socks and work hard to assert our industrial efforts in international economy.

Gunindra Das⁴ (1994) has concluded that the GATT negotiations postulate the most dangerous provisions to under-mine, the economic sovereignty of the third world countries- no restrictions on foreign equity participation, no restriction on investment, no licensing, no export obligation to fund exports, free import of raw materials, components and intermediaries, no obligation to use locally available products and raw materials and above all redraw laws and policies which put restrictions on the above.

He further says that, through the TRIMs, TRIPs and GATS of Dunkel draft, the third world countries are likely to be controlled by the multinational imperialist countries. Therefore, the changes of GATT regulation is highly required, so the third world countries can be developed in a proper manner.

Ajay Kumar Singh⁵ (1995) highlighted in his paper that it is important to remember that in any multilateral agreement, more so, in

a global agreement on trade, no country gets all that it wants. In the light of this limitation one should analyse the implications for any country.

He further pointed out that as India goes ahead with its economic reforms aimed at liberalisation, efficiency and competitiveness would be in a better position to take advantage of the proposed multilateral trading system. Indeed, there is a positive correlation between the GATT and India's reforms programme and quest for globalisation.

K.R. Gupta⁶ (1996) review in his book that the efforts to set-up an International Trade Organisation (ITO) were initiated in 1945. Following the establishment, in 1946, of the International Monetary Fund and the International Bank for Reconstruction and Development to deal with the financial aspects of International Economic Relations, the need was felt for a third organisation to look after the trade problems of the world. While the efforts to set up International Trade Organisations failed, the negotiations for its establishment gave birth to The General Agreement on Tariffs and Trade (GATT) in 1947. The GATT aimed at reducing tariffs and formulating trade rules to protect tariff concessions. Eight Rounds of Tariff negotiations have been conducted under GATT. The eighth, namely 'Uruguay Round', gave birth to the World Trade Organisation (WTO) which came into being on 1 January, 1995, succeeding GATT. There were 124 members in 1995 in the beginning of the WTO.

Five principal tasks have been assigned to the WTO; to facilitate the implementation of the results of the Uruguay Round; to provide a forum for multilateral trade negotiations and a framework for the implementation of their results; to administer the dispute settlement procedures; to administer the Trade Policy Review Mechanism; and to cooperate with the IMF and the World Bank with a view to achieving greater coherence in global economic policy making.

It also examines in detail the various provisions of the WTO and their implications for India.

✓ **Ajay Lakhanpal⁷ (1996)**, analysis that with the opening of the Indian domestic market to a stronger, more efficient foreign companies and a patented regime in which foreign multinational companies have a distinct advantage. Indian Entrepreneurs are likely to become back-seat drivers. Such a threat must be met before it looms large on the horizon. He further analyses that entrepreneurs should gear up research and development activities for survival in the product patent era. Most of the research and development activities in the developed world take place in the private sector, whereas in Indian the responsibility is largely of the government.

✓ **T.P. Bhat, Vikrant Saxena and Anshuman Gupta⁸ (2000)**, describes that Indian Small and Medium Enterprises (SMEs) are so vulnerable in the wake of the implementation of the Uruguay Round (UR) Agreements. There is a general perception that many UR

agreements such as agreements in TRIPs, market accessibility and sanitary and phyto-sanitary measures in particular, are difficult for Indian Small and Medium Enterprises (SMEs) to practice. In addition there is also the need to study the impact of social issues such as environment and labour on SMEs.

T.K. Bhaumik⁹ (2001), pointed out that China is in no hurry to the WTO because, it wants to be recognised as a developing country in the WTO. According to WTO rules a country with a per capita income of less than \$1000 is a developing country. But China's current per capita GDP has just crossed \$1000. So logically China can not claim the distinction of the second category. China is very much keen to join WTO but, at an appropriate time. Having cleared all the hurdles to its entry. China's position is that of a member-in-waiting outside the WTO gate with the looking glass on its side. That is why it is likely to delay the accession as long as it can. Thus there should be no great hurry.

Sheila Mathrani¹⁰ (2001), express her views that WTO has received Indian proposals for the negotiation on the agreement on agriculture (AoA) whose aim is to abolish Peace Clause in WTO agreement on agriculture.

The Indian Government wants to protect their farmers as subsidised produce from rich countries may flood the Indian markets. India has put her views on papers on food, security, market access, export competition and domestic support, and an equitable reform programme

for trade in agriculture between all members, having non-trade concerns. India calls for additional provision in the AOA to enable developing countries to pursue policies aimed at increasing agricultural production, like input subsidies be given to crops wherein productivity level below the world average should be covered under the Green Box.

P.K. Vasudeva¹¹ (2001), explains that the lifting of 24 per cent cap on Foreign Direct Investment (FDI) will lead to larger inflow of foreign capital and technology and will lead to better quantity and quality of production so that, India can face challenges from its neighbours. However, India is facing threat from the European Union (EU). EU has imposed anti-dumping duties on Indian textile exports. India therefore, dragged the EU to the Dispute Settlement Body (DSB) of World Trade Organisation for imposing unwarranted anti-dumping duties on its textiles exports. It also complained that the EU had “failed” to consider India’s special status as a developing country before imposing the duties. On November 1, the WTO’s ruling was a major victory for Indian textiles exporters, because EU violated free trade rules. The Executive Body of the EU contested in front of the appellate panel that, the European textile industry has suffered declining profitability and price depression therefore, had slapped anti-dumping duties. However, the panel unconvinced with the EU arguments, passed a ruling in India’s favour.

There is a requirement for India to approach the WTO to prevent frequent anti- dumping laws by importing nations trying to curb its

exports. India has to ensure that anti-dumping does not become a tool in the hands of a few developed countries.

Special Correspondent of Economic Times¹² (2001) disclose views that Hong Kong gold industry said that China's crackdown on corruption and smuggling has caught the precious metals trade. This news is circulated in Hong Kong gold market. The Shenzhen Branch of the people's Bank of China, the Central Bank and the entity responsible for all of china's authorised gold imports. The China's government has to do something to show that they are trying to stop this smuggling. In connection with its entry into WTO, Beijing is taking steps to liberalise the gold industry. It announced plans to set up a national gold exchange for physical gold trade among commercial banks.

S. Venkitachalam¹³ (2001) has remarked in his paper that the government is planning to impose high tariffs on some sensitive items to protect domestic industry against a surge in their import after removal of quantitative restrictions (QRs). The list of sensitive items may include new as well as second hand cars, liquor, tea, wheat, rice, edible oil and TV sets. These high tariff rates are within the bounds of the rates negotiated with the World Trade Organisation (WTO). Certain ports for handling imports of some key industrial inputs, discouraging second hand imports through higher custom duties and national treatment to domestic industry are other WTO-compatible measures under consideration to protect domestic industry. The foreign packaged goods

will also be subject to provision of the Standard and Measures, which required to give details such as name and address of the supplier, month and year of packaging, maximum retail prices etc. The suppliers would be required to register themselves with the Bureau of Indian Standards (BIS). These items include consumer goods like batteries, toys and writing instruments.

Special Correspondent of Economic Times¹⁴ (2001) reported that leading agricultural scientist Dr. M.S. Swaminathan has urged the government to bring out a White Paper on the WTO agreement's impact on Indian agriculture. The White Paper give details like expectation on agricultural export and import when India agreed to the WTO treaty. He said that our agriculture could face threats globally if a "livelihood box" was included in the renegotiated WTO agreement which would permit developing countries to impose quantitative restrictions on import of agricultural commodities. Livelihood box should be in force for 10-15 years. The white paper would help to drive away incorrect ideas and misgivings whatever they exist and reassure to 70 per cent of the country's population that livelihood options were not being mortgaged.

Special Correspondent of Business Standard¹⁵ (2001) reported that India submit its proposal on agriculture to World Trade Organisation (WTO) with the expectation of some of the issues, is to be incorporated in the draft agreement. 26 countries submitted their proposals. The agreement is safe and beneficial to the developed

countries than the developing countries. India wants, environmentally safe products such as jute, rubber, coir and primary forest produces should be covered /include in the AOA. India is taking policy decisions to alleviate poverty and safeguards for protecting domestic industry.

It is very difficult for large agrarian economies like India to prove domestic injury by which a special safeguard mechanisms are allowed to such countries. Mr. R.P. Aggarwal, said that India also wants an increase in its agriculture exports, reduction in tariffs as well as reduction in trade-distorting domestic support. He said that in the first year of negotiations, developed countries should bring down their tariffs as well as domestic support and export subsidies by at least 50 per cent from the present level.

Special Correspondent of Financial Express¹⁶ (2001)

summarizes that commerce and industry minister Murasoli Maran has made it clear, to visiting World Trade Organisation's (WTO's) director-General Mike Moore that non trade issues should be kept out of the multilateral trade agenda, while stressing that there would be no compromise on the issue of labour standards.

Special Correspondent of Economic Times¹⁷ (2001) examined that the 140 nations strong World Trade Organisation (WTO), has for the first time agreed to accept private donation to help poor member nations come to grips with the complex rules of international commerce

and multilateral trading system. WTO made it clear that corporate contribution would not be accepted. The WTO which settle disputes, has envisaged setting up an internal panel to consider potential gifts to the organisation.

The panel will reserve veto power over proposed donation. The critical share of WTO agreed that it biased in favour of large corporate interests at the expense of the environment and workers but, it is not realistic to believe.

Special Correspondent of Economic Times¹⁸ (2001) states that the government brought out a booklet on WTO agreement on Agriculture, that covers important issues of WTO negotiations including, implications for Indian agriculture and measures taken to safeguard in this regard. It outlined the setting up of an inter- ministerial group, headed by commerce secretary, to assess the impact of dismantling of QRs on imports and to suggest suitable corrective measures. It also took into account the measures listed in the budget and covered the raising of customs duty on tea, coffee, cobra and coconut to 70 per cent from existing 35 per cent.

On the import duties the, booklet detailed on 100 per cent duty on arecanut and poultry product, and 50 per cent on wheat and apple, 60 per cent on skimmed milk powder, imports beyond the tariff rate quota (TRQ) of 10,000 tones and 80 per cent on broken rice and 70 per cent on paddy.

Scherer, F.M. and Watal, J¹⁹ (2001) addresses to a crucial question of how to arrive at a balance between the desire to make new drugs affordable to all those who need them and yet relation strong incentives for inventing and developing new and better treatments. He further provided a detailed discussion of compulsory licensing, parallel trade, price control and drugs donations in exploring the implementations of TRIPs and compatible policy options for developing countries in facilitating affordable access to patented medicines.

Sunil Bhargava²⁰ (2001) in his article addresses, how free trade actually is under the new regime. It assesses the import of protectionist trade laws which continue to exist under the WTO. It discusses laws relating to dumping, subsidies, countervailing duties, and safeguards.

P.K. Vasudeva²¹ (2001) highlighted that at the review committee meeting of the Agreement on Agriculture (AoA) of World Trade Organisation (WTO), India has placed four demand for the protection of farmers and agricultural goods. The first, is to call for developed countries to reduce their tariffs on agricultural products to provide easier market access to developing countries. The second, is the proposal for 50 per cent cut in import duties. The third is the call for a safeguard mechanism for all developing countries along with a provision for the imposition of QRs under specified circumstances in case of a surge in the imports or decline in prices. The fourth is that special and differential measures should be given to developing countries. They should be

allowed to maintain appropriate levels of tariff bindings, keeping in mind their developmental needs and high distortions in the international market.

If the industrialised countries have high tariffs and India is arguing for high tariffs in the Third World, India needs to enhance the duties commensurate with the duties of the industrial world. Our budget should have reflected the Indian point of view. Therefore India needs to impose high rates for import duties for agricultural products to protect farmers. This gap between India's negotiation in WTO and its domestic policy, weakens its stand in the WTO and is a threat to the farmers.

The WTO allows QRs for protection of animal and human health under the Article XX and XXII of the GATT, under sanitary and phytosanitary measures that stop meat imports in India in light of epidemic in the west. Prevention of Food Adulteration Act, 1954 should be strictly enforced for all imported edible/food products.

Special Correspondent of Financial Express²² (2001) reported that European Commissioner Mr. Chris Patten visiting for internal relations, is in agreement with India. He says that the core labour standards and environment issues should be kept outside the WTO agenda. He added that the EU would encourage a vigorous pursuit of a new comprehensive multilateral trade round.

T.S. Vishwanath²³ (2001) discuss the different WTO agreements and India's possible standing position on the issues discussed at the Doha Round at the end of the year. These issues include TRIPs, TRIMs, trade and investment, trade and competition policy, trade facilitation and industrial tariffs.

Lakshmikant Garg²⁴ (2001) stated in his article the basics, implications and objective of General Agreement on Trade in Services (GATS) of World Trade Organisation. Special attention is given to accountancy sector in terms of briefing the restrictions placed throughout the world for professional accountancy service providers, need to remove these restrictions through making more commitments and existing provisions of GATS regarding domestic regulations and registration of qualifications and licenses affecting particularly to accountancy sector. The article also stated the suitability of the WTO agreements in case of accountancy and other professions in developing countries like India.

Subash Singh Yadav²⁵ (2001) reported that the establishment of World Trade Organisation is an important land mark in the history of international trade. The WTO agreement as agriculture is stipulated for the first time to bring agriculture effectively under the discipline of a multilateral trading system. The trading arrangements evolved by WTO are a judicious mix of indicative, suggestive and restrictive measures.

Sanjiv Mathur²⁶ (2001) describes that with the implementation of the WTO Agreements and the competition that is likely to arise due

to the inflow (surge) of the stocks of foreign origin, it is essential that a serious view is taken of the situation which would ultimately benefit the growers/cultivators of the country and would make them capable to meet the coming challenges.

H.G. Hegde²⁷ (2001) suggested in his article that it is necessary to look for an alternative model of milk processing by encouraging small dairies at district levels. The small dairy of this size should be able to generate employment for about 40 persons in a year. The first step in this direction should be, to set up a few such dairies on a pilot scale and study the advantages received from these. By reduction of cost of milk handling, the retail price of milk can be reduced and this can help India to face the challenge of imported milk products.

Mehta, Pradeep²⁸ (January 2002) expresses her views that slackening of the US resistance towards inclusion of anti-dumping issues in trade negotiations, during Doha Conference, is positive signal and an opportune moment to push for disciplining the anti-dumping regime. India should join together with like-minded governments to stem and then reverse the tide of anti-dumping proliferation.

S.K. Misra and V.K. Puri²⁹ (2002) reveals in his book that the completion of the Uruguay Round of trade negotiation in April, 1994 and the establishment of the World Trade Organisation (WTO) in January 1995 has further raised many issues regarding India's participation in world trade in future, its integration with the world economy and the

likely costs and benefits from this integration. It also highlight the features of “Agreement on Agriculture” and how it discriminates against the developing countries. They also discuss the priority issues for Indian agriculture in the new era of globalisation.

Joseph Abraham³⁰ (2002), reported in his article that nature and scope of Regional Trade Agreements (TRAs) since the recent past are showing an ever increasing growth around the world which may widen the conflict between multilateralism and regionalism and these would require greater streamlining under the WTO to ensure that the regional trade groups do not hinder the liberalized multilateral trading system.

B. Bhattacharyya³¹ (2002), analysis that finally a country gains or loses from trade liberalisation on the strength or weakness of its economy to face global competition. Trade liberalisation provides market access to abroad. This will be beneficial only when India has the ability to supply goods and services at a price and quality that are demanded in those markets.

T.S. Vishwanath³² (2002) reported that China’s WTO membership and on going recession world wide present huge opportunities to enhance bilateral trade.

Y.V. Krishna Rao³³ (2002), conclude that the complete ignorance of commitments made in Agreement on Agriculture (AoA) of WTO 1995

and also in open break of the Doha declaration of 2001, the US has further increased the agri-subsidies in the recently enacted farm bill, which provides a subsidy of 180 billion dollar for next 10 years. This together with the present day 350 billion combined total support of developed nations would come to 530 billion dollar.

Supachai Panitchpakdi³⁴ (2002), the new Director General, Mr. Panitchapakdi is setting about a change in the way of the WTO works or reshaping the institution. He is starting with a reorganisation of the WTO secretariat. He denies, it is a reorganisation and terms it “a bit of a restructuring”. But he is very clear that it has to be done to make the WTO as responsive as possible to the member’s demands. On account of reasoning, he will bring other change in the WTO’s method, Mr. Panitchpakadi is determined to widen participation by inviting parliamentarians, NGOs and business sector representatives to shed light on what he is doing.

Thus, there is plethora of literature available on GATT, UR and WTO. Various authors have tried to objectively analyse various provisions of WTO and also their implication on Indian economy. Given the fact that there is no consensus on the issue of adverse/favourable impact of WTO, this proposed project has attempted to analyse various impacts of WTO on Indian economy and also certain policy implications and suggestions have been ~~sumed~~ ^{summed} up, which if given due consideration may help the nation in the long run.

Hypotheses

On the basis of pilot study/literature review the researcher has the following hypotheses that have been tested in this project.

1. WTO has been established to reduce the barriers of international trade and ensure the distribution of gains between the developed and developing countries equally.
2. So far the provisions of WTO seems to have favoured the developing countries.
3. The threats from the globalisation of Indian economy are more severe when compared to the emerging opportunities.
4. India needs to be very strategic to exploit the provisions of WTO in the process of integrating the national economy to world economy.

Research Methodology

The present work "Role of WTO in the Liberalisation of World Trade- A Case Study of India" is based largely on the secondary data that are made available from various books, journals, magazines, annual reports, websites and various other publications related to WTO and have been used at appropriate places.

The information collected has been thoroughly analysed and researcher has drawn some important inferences from it.

Format of the Project

The project is divided into seven chapters in order to have a synoptic and comprehensive view of role of World Trade Organisation in the liberalising trade barriers. In the first chapter the objectives of the study, hypotheses, research methodology, Format of the project and review of literature available on this work have been set-out. In the second chapter, an attempt has been made to have a comprehensive study of the historical review of international trade.

In the third chapter, a study of the General Agreement on Tariffs and Trade has been made. The fourth chapter describes the Uruguay Round of trade talks and various agreements which took place in this round.

The chapter fifth deals with the World Trade Organisation. In this chapter a study of theoretical foundation of WTO has been made. An analysis of the impact of World Trade Organisation on Indian economy is made in the sixth chapter. The seventh and the last chapter highlights the major conclusions and suggestions of the present work.

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CHAPTER-2

WORLD TRADE IN ITS HISTORICAL PERSPECTIVE

In the previous chapter the objectives of the study, methodology, review of literature etc. have been discussed. The history of the world trade will be discussed in the following pages.

International trade deals with the business transaction between citizens of different nations. The exchange of goods and services among citizens of independent countries or states is characterised as international trade. The genesis of international trade lies in the comparative cost advantage between the two nations. The difference could be because of varying factor endowment of the nature or degree of technological advancement and capital formation. The availability of such factors of production may lead to cost differential along with the scales of production in different countries. Thus a country capable of producing low cost goods in plenty, has an obvious motivation to export the same and import the commodities which are scarce in that country.

In the modern world of globalisation and liberalisation of trade, the integration and interdependence of the world economies is growing fast. It appears that in the quest of higher standards of living for its citizens, no nation is able to provide all the products of quality at competitive prices. Therefore, the process of international trade has become an instrumental tool in the hands of nations as it is being increasingly considered beneficial to raise the income levels and national wealth alongwith the well-being of the participating countries.

International trade is necessary to maximise production in the world. It is a catalyst not only to raise the per capita productivity during early stage of industrialisation of backward countries but also to maintain high productivity levels in industrial countries. Foreign trade is needed to allow access to world's resources to all nations in terms of equality.

By ensuring free competition through the global trade the danger of monopolistic exploitation of consumers is reduced because production of goods takes place in the most efficient manner and prices are no higher than the average cost of production. World trade provides maximum scope for the optimum exploitation and allocation of world's scarce resources. Here economic exploitation of one country by another country is difficult because there are various buyers to purchase her goods and she can also buy her requirements from various sources (different countries) of supply. Indeed, international division of labour and exchange of commodities are cornerstones of our economic system and the present geographic distribution of population and our economic civilization are unthinkable without international trade.

Each disturbance in the flow of foreign trade affects as not only the exporting and importing nations but also countries which maintain commercial relations with them. The measures taken by a country to regulate its exports and imports affect the interests of the exporters and importers as well as producers and consumers abroad, often in countries with which the country in question has no direct economic relationship.

In fact the role of foreign trade in the world economy and international affairs is immeasurably larger than is suggested by the relation between its volume and that of domestic commerce. Apart from its economic significance and impact, the world trade creates mutual understanding between political institutions, habits of thought and philosophies of life by raising human communication (intercourse). This will lead to mutual respect, friendliness and international peace more than any other relationship between countries. International trade makes the people realise that they live in a world of mutual interdependence¹.

Evolution of trade

Perhaps the first commercial activity the man would have done on earth was the exchange of goods to satisfy his needs. This activity latter developed from the localized exchange to national and the international trade. In the fifteenth and sixteenth century trade was the mainspring of great travels and the colonial expansion which followed the discovery of the new world. In the beginning trade was in the form of barter system, that is, the exchange of goods (or services) against goods or services. In barter system if one country had an absolute advantage over the other country in one line of production and the other country had an absolute advantage over the first country in a second line of production, both countries gained by trading. May be most trade, is governed by such differences. In economics, this system of exchanging the commodities in the economy in which goods are exchanged but not

sold or bought is termed as barter. Based on this principle, trade between two countries is always assumed to be balanced. The present day comparative advantage theory has, thus, developed trade models based on the assumption that international trade is of a bilateral nature, and that the “balance of trade” is always guaranteed. But in reality we all are familiar with the multilateral character of international trade involving many countries, many commodities and services and many currencies of diverse nature. In addition, there are international labour and capital flows which result in multilateral money flow between the countries of the world.

World Trade

Very early traders discovered that long-distance trade was the most profitable and that they could cover great distance with the primitive means of transportation at their disposal. The products of India, of Arabia, and even those of Central Africa were dispatched from Arabia to Babylonia, to Syria to Egypt, or even much farther to north and south.

In the fourth century B.C. world trade expanded from two centres, from Greece and Rome eastward and from China southward and westward. Chinese merchants reached Malaya, Java, Ceylon and the eastern coast of India by sea and pushed overland across the expanses of Asia to the valleys of the Indus and to Persia, Syria and the Black Sea.

The list of articles of Chinese domestic trade and export included rice, wheat, maize, millet and barley; tea in different forms, tobacco, opium, rhubarb, groundnuts, walnuts, bean, cakes, peas; melons, oranges and other fruits and preserves; silk, cotton and hemp; timber and bamboo; wool and the skins of deer, goats and lambs, hides and leather; sheep, goats, yaks, pigs and camels; eggs, bristles, feathers; coal and pitch; silver, quicksilver, copper, antimony and steel; salt and sugar; paper and other articles of paper; cloth and lace, ivories, indigo and varnishes, camphor medicines, umbrellas, hats, porcelain and pottery, jade; ships. Some of these articles were too bulky to be handled over long distance but many were designed for transcontinental caravan trade.

Greek, and latter Roman, merchants were active on the coasts of the Mediterranean (west), Black and Red seas in northern Africa, Southern Europe and the Levant. At the time of the Roman Empire, Greeks, Syrians and Jews were the middlemen between Europe and the East in trade which extended from the British Isles and Spain to the yellow and East China Seas.

The distinctive exports of European countries at that time were amber, tin, furs from the northern forests, and slaves. The eastern trader who made his way northward across Europe must have been a dealer in slaves or have sought his gain in local trade in the necessities of life - salt, iron, wine, and cloth².

World Trade Among the Continents

Western Europe completely dominated world trade in the nineteenth century. In the 1820's, Great Britain alone accounted for more than 40 per cent of all exports. International trade consisted largely of the exchange of Great Britain and continental European countries among themselves and with overseas area, especially the tropics. Europe's predominance in world trade remained unchallenged until World War I. In 1909-13, Europe (including Russia) took 64-67 per cent of the world's imports and accounted for 58-60 per cent of its exports.

World War first brought a decrease in Europe's foreign trade and an increase in America's foreign trade. In 1920, the share of the America in world trade amounted to 32.1 per cent (as compared with 21-23 per cent in 1909-13), while the European share was 49.2 per cent. The per centage distribution of international trade among the continents in 1932 had returned to practically the 1913 pattern. The share of Asia, Africa and Oceania combined in world trade decreased from 24.7 per cent in 1937 to 20.4 per cent in 1947. The combined shares of the America, Asia, Africa and Oceania amounted to 41.6 per cent in 1913, 47.6 per cent in 1929 and 59.4-59.5 per cent in 1951 and 1952.

The smooth flow of international trade requires only that the export or import surplus be balanced by other payments (invisible items of the balance of payments) or by capital movement³.

Origin of Modern Trade

The history of European commerce in the sixteenth century is the history of the slave trade. By the end of the century, a pattern of multilateral foreign trade developed, as Spanish - American gold flowed to India and the Spice Islands in the Pacific in payment for Oriental produce. This pattern began to change in the second half of the seventeenth century, which can be considered the beginning of the Industrial Revolution in England. The development of new forms of foreign trade was accelerated after the steam engine and new textile machines had opened undreamed perspectives to the British textile industry.

Growth of the world trade in the nineteenth century was stimulated by technological progress. Mass production on an unprecedented scale began in the United States and Europe, especially in Germany, which was rapidly becoming the leading industrial power in the old world. In the Far East, Japan was emerging as a great power. In Africa and Asia, Great Britain and France built up their colonial possessions into world - encircling empires. Under these conditions, a definite pattern of world trade developed in the latter part of the nineteenth century⁴.

Just before the outbreak of World War I, the structure of world trade differed appreciably from the pattern which had prevailed in the nineteenth century. Bulky staple commodities such as coal, petroleum, iron-ore, timber, wheat and cotton became the most important articles

of international exchange. The simple geographical pattern of exchange between countries of the tropical and temperate climate zones yielded to another and more complex pattern controlled largely by differences in the level of economic development.

London was the centre of world trade. The mainspring of international exchange of commodities was Britain's demand for foodstuff and raw materials and its ability to pay for them with coal, machines and fabrics.

The network of world trade had been changing since the turn of the century, and some of these changes contributed to international tensions and precipitated armed conflict in 1914. The main source of international unrest lay in the rise of Germany and Japan⁵.

Political Frictions

After victory of United States over France in 1871, unified Germany entered the political scene as the strongest military power of Europe. The German nationalists felt that the Fatherland did not have a fair share of the overseas possessions and would have to fight for a "place in the sun". This became the goal of German policy. Using a moment of political confusion and conflict between Great Britain and France, Germany succeeded in getting a foothold in Africa in the 1880's. Its colonies were not very valuable from the purely economic point of view but they could become the nucleus of a new colonial empire.

By the end of the nineteenth century, Germany had become a first - rate sea power. After having established commercial relations with South America, China and Japan, Germany could challenge Great Britain in the latter's customary overseas markets and even in the British colonies. Germany's commercial organisation proved to be more flexible than Great Britain's and its merchandise cheaper. At the same time, Germany exercised pressure on Russia in an effort to prevent its industrialisation, and to exploit its agricultural resources⁶.

Technical Revolution

Technological developments created disparities among the nations of the world. The mechanised economy was a monopoly of a few nations in the world during nineteenth century, it was at the cost of hundreds of millions of poverty - stricken men and women, mostly illiterate, less employed, haunted by disease, many condemned in advance to premature death, at the top, the industrialised nations with steadily rising standards of living, declining mortality, increasing expectation of life. The gap between have and have-not nations was the most characteristic feature of this period. So the poor country was dominated by the top industrialised nations. Whatever, currencies (silver, gold etc.) they had, they consumed it for livelihood and there was flow of wealth from underdeveloped to developed or industrialised countries. Consequently poor were becoming poorer and rich becoming richer. The gap in the levels of living between the rich and the poor widened. The terms of trade were very favourable to rich or developed countries

and poor or less developed countries (LDCs) faced unfavourable terms of trade. The benefits through international trade was largely received by developed countries. This led to create inequalities in the levels of income, standards of living, growth rate, trade and economic conditions. LDCs shared no right to speak in matters related to developed countries. No permission was there to raise the hand or head to interfere in such matters. Developed countries introduced a tariffs or quota system to promote their economic growth. When LDCs made imports from advanced countries because they were less developed, tariffs would be imposed on them. This policy was against the less developed countries but advanced countries benefited from this policy, that is why they introduced the tariff system and it is a continuing process.

Thus the mechanised economy born some two centuries ago has been growing ever since at a continuously increasing rate. The beginning was slow, from the timid, not too successful experiments with the steam engine in the second half of the eighteenth century to the huge but poorly equipped mills and rudimentary railways in the first half of the nineteenth century. Even in the most progressive countries, the economic system of the middle of the past century was a clumsy, but slowly moving affair without very bright promise for the future - wooden sailing vessels on the oceans, horse carts and buggy transportation on land, gas and whale - oil lights on the streets and in homes, cities scattered like islands amid borderless expanses of primitive farming⁷.

Search for the Markets

The mechanised economy brought in its wake the rise of industry. Output grew in volume as a result of industrialisation. Just as Columbus landed in the west Indies and Vasco da Gama reached India in search of trade avenues beyond the borders of industrialised nations, so also need was felt to search new markets which could absorb the surplus of industrial production. After that time, the Indian Ocean became the scene of desperate rivalry among European nations for control over the export of local products mainly spices to Europe. In the seventeenth century, the British and Dutch discovered the value of overseas colonies as monopolistically controlled markets. In this process factories with mechanical power - had begun to appear in Western Europe, and their comparatively inexpensive products found outlets in the Orient. With the beginning of the eighteenth century - long before the technical revolution in England was completed, Europe began to export manufactured goods, mainly textiles, in exchange for tropical and semitropical products largely supplied by colonial plantations⁸.

Mercantilist Period

In the seventeenth and eighteenth centuries when the mercantilist ideas emerged, Western Europe was inhabited by about 60 million people, most of whom earned a meagre living in a predominantly agrarian society. A few manufacturing processes existed mostly in the homes of craftsmen who employed a few apprentice workmen. The

manufacturing of woollen textiles had assumed a dominant position, and some traces of capitalist methods were becoming increasingly evident. With an income which was barely sufficient to meet the basic needs of human life, most families had to resort to some sort of trade which was influenced by the distance covered by most of the traded goods, though a few goods were traded over long distances. Though trade was increasing, large scale trade was not encouraged because of the high transport cost involved in it. With the passage of time, there was a steady increase in trade in Europe. But it was the emergence of powerful nation states in Western Europe, each with a distinct geographical and linguistic identity, which led to the development of international trade. Trade was the road which led to wealth and power, and wealth was identified with the procuring of gold and silver. The purpose of trading with foreign countries was to export as much domestic produce as was feasible to import the necessary quantities of precious metal to keep the domestic economy functioning. The economist, Bo Sodersten has referred the attitudes of the economists towards international trade that "the most important way in which a country could grow rich was by acquiring precious metals, specially gold". Single individuals, however were not to be trusted; they might also like gold, but perhaps they liked other things even more. Left to themselves, they might exchange gold for satin and linen, spices from India or sugar from Cuba or indulge in whatever private pleasure they preferred to the detriment of the stock of precious metals stored in the nation. Hence, the nation had to control foreign exchange to prevent such things. Thus,

mercantilism which prevailed during the first two centuries (17th and 18th) of the development of the modern nation state viewed with its highly nationalistic attitude, the well being of one's own nation as something that was of prime importance; it favoured the regulation and planning of economic activity as an efficient means of fostering the goods of the nation and it generally viewed foreign trade with suspicion⁹.

Period of World War First and World War Second

As discussed earlier that before World War First various countries followed liberal trade policy. But after the World War Ist, a series of revolutions in the map of Europe and the Near East had taken place. The USSR was completely isolated from the world economy. Inflation developed in dozens of countries because, in war time, the countries which have resources (supplier countries), they supply at higher rate to demanding countries and demanding countries received their supply in their home country. Both demand and supply continued in the same pattern. Consequently, a time came when both the countries spent their resources, but the supplier country benefited by receiving foreign exchange earnings and demanding (consumer) country lost their resources in consumptions. Then the time came that demanding countries reduced their demand and ultimately stopped their demand. This process led to shut down of the industries of supplier countries. As a result, large number of people were thrown out of employment. Unemployment led to reduction in incomes and, in turn, demand of the products in the market dropped. Thus, depression took place in

1930's, people cut their consumptions and depreciation of national currencies resulted in disintegration of world market. In all parts of the world, nations suffered by economic and financial difficulties. This was the most dangerous period when millions of peoples were unemployed, became resourceless, suffered hunger, haunted by diseases and died.

After the great depression of 1930's passed off, World War II took place. Countries fought each other in which some got victory and some were defeated. Those who were powerful made their rules to be obeyed by poor countries. Then countries tried to make better international trade relations with the countries who favoured them. After 1945, there was slight improvement in the international situation. The disequilibrium in trade was narrowed, customs duties had been reduced, customs procedures simplified, quantitative trade restrictions eliminated or liberalised and obstacles to international trade were eliminated to a great extent.

Postwar Recovery

In contrast to the early 1920's, the campaign for reconstruction after World War II has been carried out largely on a co-ordinated international action. Its goals have included stabilisation of exchange rates, support of national currencies, increase in productivity, elimination of obstacles to international trade, limitation of quantitative restrictions on imports, reduction of tariffs, restoration of exports disorganised by the war, promotion of multilateral trade (trade between many countries)

agreements. The financial foundation of this international action has been provided by the United States in the form of foreign credits and grants of aid. At the same time far-reaching programs have been developed to help the underdeveloped areas to improve health conditions, establish efficient financial and economic administrations, modernise local means of transportation, develop natural resources and increase agricultural production.

For international trade, the ultimate objective of this policy has been restoration of a freer, more competitive world market. This goal however, could not be reached simply by repeal of restrictions accumulated in the past three or four decades but some regulations have been repealed, other economic controls introduced during World War second, have also been maintained¹⁰.

Revival of Protectionism

Protection refers to any policy that raises the price received by domestic producers of any important importable commodity. In the early part of the 19th century, the economists of the underweight countries began to plead for protection. Germany, USA and India were the countries, which wanted protection against British industries. In the latter half of the 19th century, many governments started levying tariff duties to gain funds for rising government expenditure on defence, social and economic development schemes¹¹.

Methods of Protection in International Trade

When a country resorts to protection as a commercial policy, can adopt many alternative devices or their combinations. The important methods of protection are as follows:

- (i) **Tariffs or Customs Duties:** A tariff is a charge/duty or tax, which is imposed on a commodity when it crosses the national borders. Thus tariffs include all custom duties, import duties, export duties and transit duties (imposed on goods passing through that country). Custom duties can be imposed both on the imports and exports. It obstructs the trade with the motive to protect domestic industry on price front but does not prohibit the trade.
- (ii) **Quotas:** Quota is a limitation on either the quantity of a commodity or the value of a commodity that is to be imported or exported from the country during specified period of time. So it is concerned with physical prohibition of a commodity beyond a given limit. Quota is assigned on the amount of imports/exports which is permitted by the government and can be fixed on the yearly or monthly basis, it is imposed with a view to reduce the quantity of imports or exports to a limited size.
- (iii) **Exchange Control:** Exchange Control means the deliberate manipulation of rates of exchange in a certain direction by

means of various direct and indirect methods. Exchange control attempts to establish complete government domination over the foreign exchange¹².

Exchange Rate is the price at which one currency buys another currency or exchanges for another currency, is known as the rate of exchange.

- (iv) **State Trading**: State trading refers to the government's participation in the foreign trade. It implies partial or complete state monopoly in international trade. "An agency of the state or monopoly or the entire ministry of the government may be making direct purchases or sales. The state trading can be on government to government basis or government to private traders basis as well"¹³.
- (v) **Dumping**: Dumping is the sale of goods abroad at a price which is lower than the selling price of the same goods at the same time and in the same circumstances (under same conditions of the payment and so on) at home, taking account of difference in transport costs¹⁴. This aims to capture the foreign market and destroy their domestic industry in the short run and once the domestic industry is destroyed, to exploit the market in the long time.
- (vi) **Subsidies/Export Bounties**: Subsidy is a type of concession given by the government to the producer engaged in export

business. The trade or industry which needs protection is granted subsidies by the state in order to make them able to compete with their foreign competitors. As a result of subsidies the competitive capacity of the domestic country increases. Export bounties are limited by the amount of funds with the government.

- (vii) **Legislative Prohibition:** Under this method, the imports of some goods is totally prohibited by law. These are generally the items on negative import list of the nation, eg, narcotics.

Tariff Levels Before First World War

In 1913 - 14 (before first World War) some tariffs were higher and other were lower than those at the beginning of the century. The United Kingdom was mainly in the front of free trade movement since 1846. It had comparatively high revenue duties on alcoholic beverages, tea, spices and sugar. The countries like Netherlands, Belgium, Denmark, Switzerland and India were following the liberal trade policies and levied protective duties on only few articles. The tariffs of German, Austria-Hungary, Sweden, France, Italy, Canada and Australia were somewhat higher. Russia, Spain and Portugal had the highest tariffs in Europe. The tariffs of the United States and Argentina were higher than West European Countries and appreciably lower than the Spanish, Portuguese and the Russian.

International Trade directions always had a bearing from the level of tariffs imposed by the counterparts. A historic review as given below table-2.1 had adequately indicated and established that the countries with the low tariff levels have reaped greater fruits of international trade.

Table-2.1
Tariff Rates: Selected Countries, Eight Selected Commodities, 1912-13
(US Dollars per 100 Pounds)

Country	Wheat	Cotton yarn ^{'a'}	Cotton fabric ^{'b'}			Laces ^{'c'}	Bar Iron	Sheet Iron ^{'d'}	Sewing Needles
			unbleached	printed					
United states	0.46	7.90	6.10	12.80	5.29	0.26	0.65	25%	
United Kingdom	Free	Free	Free	Free	Free	Free	Free	Free	
France	0.67	1.76	10.20	17.91	47.63	0.71	1.29	23.81	
Belgium	Free	1.43	7.62	9.53	15%	0.10	0.10	13%	
Netherlands	Free	Free	5%	5%	5%	5%	5%	5%	
Denmark	Free	0.83	6.68	17.84	26.75	0.14	0.14	8.82	
Sweden	0.49	2.65	6.61	14.56	5.29	Free	5.29	5.29	
Norway	5.71	1.59	3.30	14.56	79.32	Free	Free	9.93	
Germany	6.47	2.12	8.23	14.11	41.16	0.12	5.29	11.76	
Switzerland	0.63	1.91	0.95	5.72	9.53	0.04	0.06	4.76	
Austria-Hungary	0.63	3.30	-	14.30	65.97	6.50	1.00	17.00	
Portugal	-	8.00	10.94	42.68	96.02	0.08	0.80	26.67	
Spain	0.76	16.46	41.43	35.24	128.60	0.61	0.76	28.58	
Italy	0.72	3.14	7.43	15.25	47.63	0.57	0.14	7.62	
Serbia	0.48	4.76	12.38	12.38	57.15	0.25	0.95	11.43	
Romania	0.00	0.48	6.67	8.04	38.57	0.29	0.48	19.05	
Bulgaria	0.05	3.81	3.81	7.15	33.34	0.24	0.38	10.48	
Greece	-	5.72	7.62	11.43	44.65	Free	Free	14.88	
Russia	Free	12.74	136.50	165.11	298.59	1.16	1.63	75.41	
Japan	0.32	2.62	7.57	10.24	8.18	0.25	0.31	20.69	
Turkey	-	11%	7.62	11%	11%	11%	11%	11%	

a = No. 36 English, single, unbleached.

b = Of a weight of 10 kilograms per 100 square meters.

c = Machine - made, unbleached of a weight of 25 Kilograms per 100 square meters.

d = Of a thickness of one millimeter.

Source: W.S. Woytinsky and E.S. Woytinsky, "World Commerce and Government Trends and outlook", The Lord Baltimore Press, New York, 1955, p. 275.

The table-2.1 presents in historical perspective the tariff rates of selected countries in respect of eight selected commodities as prevalent in the years 1912-13. At that time Russia had the highest tariff levels in cotton fabric, laces and sewing needles. Spain, Portugal had somewhat lesser rates of tariff than Russia. Germany imposed higher tariffs on laces, cotton fabrics and sewing needles. United Kingdom was duty free on all items and other countries were following the liberal trade policy.

Tariff levels After World War IInd

The post World War II era witnessed a change in the tariff levels of the countries. Tariff levels indicated in respect of 11 European Countries for 19 agricultural products as obtaining in 1950 are computed in table- 2.2 below:

Table-2.2

Tariff Level Indexes: Eleven European Countries, 19 Agricultural Products, 1950

(Percent)

Country ^a	Animal Products				Vegetable Products		
	Animal and Vegetable Products, 19 Items	Total, ^b 8 Items	Meat and Dairy Products, 6 Items	Tallow and Margarine, 2 Items	Total, 11 Items	Vegetables and Fruits, 5 Items	Cereals, 6 Items
Denmark	0.7	0.3	0.4	-	1.2	2.3	-
Sweden	4.6	2.2	2.6	1.5	7.1	8.9	5.3
Benelux	7.1	8.2	9.8	5.0	6.0	12.0	-
Norway	7.8	9.2	11.7	4.1	6.4	12.8	-
United Kingdom	9.3	8.2	6.6	11.5	10.5	11.6	9.4
Italy	21.6	21.0	27.7	7.5	22.2	11.8	32.5
France	26.5	22.8	24.2	20.0	30.2	17.2	43.3
Germany	26.7	38.0	53.2	7.7	15.4	23.5	7.4
Austria	36.3	34.3	51.5	-	38.3	20.4	56.3
Portugal	41.5	22.6	32.1	3.7	60.4	89.9	30.8
Greece	44.8	47.7	23.5	96.0	41.9	50.4	33.3

a = Arrayed by increasing average duty on animal and vegetable products.

b = weighted average: two thirds for meats and dairy products; one third for tallow and margarine.

Source: W.S. Woytinsky and E.S. Woytinsky, "World Commerce and Government Trends and outlook", The Lord Baltimore Press, New York, 1955, p. 285.

It ~~is~~ observed from table-2.2 that for all groups of agricultural goods, Denmark, Sweden, Norway, Benelux and the United Kingdom have the lowest tariffs among the European countries. Germany has the highest tariffs on dairy products but comparatively low duties on cereals, tallow and margarine; Austria, France and Italy have the highest tariffs on cereals, Portugal has the highest tariffs on vegetables and fruits. Greece ranks first in duties on, tallow and margarine.

A consolidated picture of tariff levels as obtaining in 11 selective European countries in respect of 79 industrial products categorised into 8 broad groups as prevalent in the year 1950 is presented in table-2.3 below:

Table-2.3
Tariff Level Indexes: Eleven European Countries, 79 Industrial Products, 1950

Country ^a	All groups ^b								(Percent)	
	79 Items	Mineral oil and Chemicals	Textiles	Apparel	Iron & Steel	Non ferrous metal	Tools ^c	Machinery	Transp- ortation Equipment	
		19 Items	16 Items	4 Items	8 Items	10 Items	3 Items	13 Items	6 Items	
Denmark	3.4	0.4	4.5	6.7	1.8	1.9	1.0	5.4	5.9	
Sweden	8.5	3.2	9.2	22.7	3.0	3.4	5.7	7.9	13.0	
Norway	10.8	2.3	6.9	16.2	1.5	1.7	20.0	13.5	24.0	
Benelux	11.2	19.9	8.2	24.0	3.7	4.8	8.7	6.3	13.7	
France	17.9	17.4	12.8	22.0	18.4	18.1	16.0	18.4	20.0	
Austria	18.0	14.1	19.0	-	37.8	19.3	18.5	16.6	18.6	
Portugal	18.0	16.7	28.6	61.0	6.1	13.6	4.8	9.3	3.9	
United Kingdom	23.3	33.1	16.3	26.0	42.0	14.0	15.8	19.2	20.4	
Italy	25.3	27.0	15.6	30.0	30.6	19.5	32.9	22.6	24.6	
Germany	26.4	81.6	27.9	28.2	14.9	10.8	9.0	20.3	18.2	
Greece	39.0	53.1	55.9	92.5	24.7	25.0	26.7	19.7	14.0	

a = Arranged by increasing average duty on all industrial groups.

b = Unweighted average of the eight group indexes.

c = Excludes Knives.

Source: W.S. Woytinsky and E.S. Woytinsky, "World Commerce and Government Trends and outlook", The Lord Baltimore Press, New York, 1955, p. 285.

Table-2.3 shows that Denmark, Sweden, Norway and Benelux had the lowest tariffs on industrial goods. France, Australia and Portugal came in next ranking, followed by the United Kingdom, Italy and Germany. Greece had the highest tariff level.

World Trade (1950 - 1973)

In 1950-1973 a very rapid growth took place in world trade. Therefore, this period is described as the boom period for world trade. The rate of growth of world trade exceeded the rate of growth of output during 1950's and 1960's. This was possible because of (i) economic stability in a great majority of the countries of the world; (ii) the fixed exchange rate regime which imparted a great deal of stability to exchange rate, (iii) steady growth of world output.

International trade played an important role in the economic growth of many countries. The volume of world trade increased five times between 1950 and 1973. The expansion of world trade led to higher share of advanced countries in the world trade.

Trade in manufacturing items became more and more important in world trade compared to trade in food items, raw materials and fuel. The increase in the trade in manufacturing items was twice the rate of increase in trade in non-manufacturing items and this was possible by the changes in the structure of world economy due to technological progress.

The other developments which influenced the world trade during 1950-73 were in (a) the emergence of Germany and Japan as great

trading power and (b) the movement of capital or investment funds particularly Foreign Direct Investment (FDI). The free flow of FDI played an important role in generating growth and thus contributed to the growth of world trade.

At the end of this period three developments took place which adversely affected the growth of world trade since 1974. These were (a) the emergence of inflation which was building up in 1970; (b) the break-down of the fixed exchange rate regime, i.e., the IMF system and (c) the four-fold increase in crude and petroleum oil prices following Arab-Israeli war of 1973¹⁵.

World Trade Since 1974

The world economy became more unstable since 1973 due to instability of prices and exchange rates. The floating exchange rate regime, which came into being in 1973 introduced uncertainty and instability into world trade and payments. Some important changes then took place in trade flows. Though trade in manufactures among developed countries was at a high level, exports of manufactures to developed countries by Newly Industrialised Countries (NICs) like Korea, Taiwan, Hong Kong and Singapore, rose much more than the increase in agricultural products. Ever since 1973 the organisation for petroleum exporting countries, known as OPEC countries, has become a powerful factor in international trade. The OPEC occupies a monopoly position in regard to oil supplies and could use oil prices as a powerful instrument

to influence terms of trade, exchange rates of balance of payments. Under this period, trade in services has increased amounting to 25 per cent of world trade. The major service items in international trade are shipping and air transport, banking and financial services, insurance, tourism, profit and interest and remittance services. With the beginning of 1980, there was increase in protectionism in industrial countries. An undesirable feature of protectionism has been the use of non-tariff barriers, e.g., voluntary export restraints, subsidies, exchange rate manipulation, anti-dumping and countervailing measures. These measures by the advanced countries have been particularly deadly in respect of textiles and agricultural products where LDC's had shown their comparative advantage. Thus there have been an undeclared trade war. The trade policies of industrial countries have serious repercussions on the rest of the world particularly the LDC's and unless reversed, these policies would harm the liberal world trade regime¹⁶.

Growth of World Trade (1991-2000)

The decade of nineties saw the era of free trade. There was transformation of countries economies from 'regulated' to 'liberalised', from 'protective' to 'integrative' and from 'planned economy' to 'market economy'. Thus opened the door for globalisation of the world economies. As a result, there has been tremendous growth of world trade during the decade of nineties. The table-2.4 below presents the values of world imports and exports from 1991-2000.

**Table-2.4: Growth of World Trade
(1991-2000)**

(US\$ billion)

Year	Exports	Imports
1991-92	3735.0	3843.5
1992-93	3718.3	3781.2
1993-94	4229.4	4292.4
1994-95	5103.6	5163.5
1995-96	5322.5	5414.6
1996-97	5529.0	5624.0
1997-98	5441.0	5548.0
1998-99	5626.0	5773.0
1999-2000	6322.0	6491.0

Source: Economic surveys of India; 1999-2000, 1998-99, 1997-98 and 1996-97

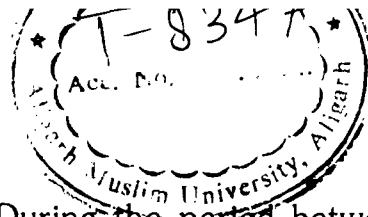
Table 2.4 highlights that the exports of world trade increased from 3735.0 in 1991-92 to 6322.0 US billion \$ in 1999-2000. Over the last one decade the world trade has registered 69 per cent growth or at an annual average of 7.6 per cent. In some of the years the growth also showed marginally negative trends i.e. in the year 1992-93 and 1997-98 whereas in the remaining years it showed positive trend of growth. Further the table also reveals that there has been increase of 68.9 per cent in imports during 1999-2000 over 1991-1992 or the imports registered an annual average growth rate of 7.6 per cent.

Development of India's Foreign Trade

India had established trade relations with some important countries of the world since very early times notably Arabia, Iran, Babylon, Egypt, China, Tibet, Japan, East Indies, etc. It was primarily an agricultural economy, yet it was well developed industrially also and a variety of manufactured products were to be exported by it. In real terms, India's interest in foreign trade was not much served as compare to the United Kingdom which was most benefited from foreign trade. Before 1914, India's trade with United Kingdom declined and increased with countries like the USA, Germany and Japan. Those days there was keen competition among manufacturing countries in production and supply of finished goods. Because of large scale production, the United State of America, Germany and Japan were successful in sending large supplies of their cheap goods to India¹⁷.

First World War Period (1914-19)

World War I gave a tremendous blow to India's foreign trade. Both imports and exports declined heavily. Our exports rose slightly but, imports went on declining at a faster pace. This was so because imports were difficult to obtain and import prices increased far more rapidly than export prices, resulting into shift of the terms of trade more against us. A comparison of India's trade in 1913-14 with that of the war-years would bring home the point. The war time average of volume in relation to 1913-14 level shows a fall of 25 per cent in exports



and of 50 per cent in imports. During the period between 1921-22, both imports and exports declined. In 1936-37 onwards there was some improvement in exports which increased from the level of Rs. 136 crores in 1932-33 to Rs. 202 crores in 1936-37¹⁸.

Second World War Period (1939-45)

Taking 1938-39 as the base year it is found that India's foreign trade declined by 50 per cent during the second World War period. This decline in India's foreign trade was for the reason that India could not trade with the enemy countries and also with certain neutral countries like Sweden and Switzerland as they were situated near the enemy countries. Means of transport were unsafe otherwise, India could have exploited trade opportunity with England and the USA but these countries were preoccupied with war preparations. Their demand for food grains, raw materials and some manufactured goods increased, which resulted in India's supplies in larger quantities but it did not help in the improvement of our foreign trade as the newer opportunities provided for¹⁹. India's trade with Holland, Belgium, France and Norway came to a standstill. The trade was suspended with Germany and Russia also, and India also lost very important markets of Burma, Malaya, Indo-China, Thailand etc because Japan occupied Burma and Chinese route via Barma was also blocked. Thus India's trade with China was also stopped²⁰.

Before independence the pattern of India's foreign trade was of the nature of a colonial agricultural economy. In the export basket, there were some selected primary items like - jute, tea, cotton, textiles, tobacco, spices, hides and skins, manganese-ore, mica, ground-nut, castor oil seeds etc., and its imports items are cereal, raw materials, fibres, petroleum oil and lubricants, fertilizers, chemical products, iron and steel, electrical and non electrical appliance and transport equipment. The bulk of our foreign trade was confined to England and other commonwealth countries. But after independence, there has been impressive industrial development in the country. We began trading with the USA, Middle East and far East, Australia, Japan and other countries. The direction of our foreign trade got changed. It is no longer confined to a few selected countries and trade in some selected commodities. Today, India has trade relations with almost all the countries of the world.

After independence India created the tariff walls around its economy that continued till late eighties. The table-2.5 clearly shows that the import tariffs on manufactured goods were comparatively very high when compared to the other developing countries in the year 1986.

Table-2.5
Comparison of tariffs on Manufactured Goods:
India and other countries (1986)

Country	Intermediate Goods		Capital Goods		Manufacturing Sector		Import Duty Collection Rate	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.		
Argentina	21.2	15.3	25.0	12.6	22.9		14.3	13.8
Bangladesh	97.9	60.0	80.5	18.1	100.8		67.3	15.0
China	78.9	55.7	62.5	47.8	91.2		63.4	4.9
India	123.0	46.8	114.5	54.8	121.7		46.6	41.3
Mexico	23.5	16.3	23.5	17.3	24.7		19.0	6.8
Turkey	29.4	25.0	34.9	18.3	37.1		30.9	7.0

Std. Dev. = Standard deviation.

Source: World Bank data files. The Indian tariffs are for 1986.

From the above table-2.5 it is clear that till 1986 no efforts were made in the trade policy to reduce the tariff rates and integrate the Indian economy with the rest of the world.

In order to widen its trade India has developed trade relations with all the countries world over on the basis of need and reciprocity. India has also entered into bilateral trade agreement with a number of countries which include among others, some countries of Commonwealth of Independent States (CIS), Czech and Slovak Republic, Romania, etc.

More than 60 per cent of our exports are to countries like, USA, Japan, Germany, UK (United Kingdom), Hong Kong, UAE (United Arab Emirates), Belgium, Italy, Russia and Singapore. Almost same percentage is of our imports from USA, Germany, Japan, Saudi Arabia, UAE, Kuwait, Belgium, Australia and Singapore²¹.

Growth of India's Foreign Trade

The post 1991 period witnessed the liberalisation process and economic reforms started taking place in Indian economic system to ease the procedure of export and import, reduction in custom duties, enlargement of the item of exports, liberal grant of open general licences for exports and other similar measures of encouragements which exerted an upbeat impact on the export trade. As a result international trade gained momentum and registered rising trends.

The EXIM policies pronounced in 1994-95 and in later years further stimulated the volume of exports. Table-2.6 exhibits the emerging trends of export-import trade in terms of value and yearly per centage changes from 1950-51 to 1999-2000.

Table 2.6
Value of Exports and Imports in the Planning Period
(1950-51 to 1999-2000)

Figure in Rs. Cr.

Year	Exports	Imports	Trade Balance	Rate of Change	
				Exports	Imports
(1)	(2)	(3)	(4)	(5)	(6)
1950-51	1269	1273	-4	24.9	-1.5
1960-61	1346	2353	-1007	0.3	16.7
1970-71	2031	2162	-131	8.8	3.5
1979-80	7947	11321	-3374	13.9	36.4
1980-81	8486	15869	-7383	6.8	40.2
1985-86	8904	16067	-7162	-9.9	11.5
1989-90	16612	21219	-4607	18.9	8.8
1990-91	18143	24075	-5932	9.2	13.5
1991-92	17865	19411	-1546	-1.5	-19.4
1992-93	18537	21882	-3345	3.8	12.7
1993-94	22238	23306	-1068	20.0	6.5
1994-95	26330	28654	-2324	18.34	22.9
1995-96	31797	36678	-4881	20.7	28.0
1996-97	33470	39133	-5663	5.3	6.7
1997-98	35008	41484	-6476	4.6	6.0
1998-99	33218	42389	-9171	-5.1	2.1
1999-00	36805	49709	-12904	10.8	17.3

Source: Government of India, Economic Survey, 1997-98
Statement 7.1 (B), p.S-81.

The data presented in the above table reveals that the value of India's exports increased from Rs. 1,269 Cr. in 1950-51 to Rs. 36805 Cr. in 1999-2000. Excepting negative rates of 9.9 per cent, 1.5 per cent and 5.1 per cent for 1985-86, 1991-92 and 1998-99 respectively, the value of exports has been on the increasing side,

registering an over all measured increase of massive 29 times or an annual increase of **56** per cent over the years since 1950-51 to 1999-2000.

However, on examining the table-2.6 more closely, it appears that during the decade **1950-51** exports remained almost stagnant (with a marginal increase of 3 per cent only). This was due to the fact that no definite programme for export promotion was adopted in the first two Plans. Similarly because of the continuing export controls and duties started during World War second till late fifties or so, affected growth of exports adversely. Also the stagnation in world demand for exports from the underdeveloped countries during the sixties period had led to exert adverse effect on India's exports. As such, the entire period of the first three Plans witnessed no significant progress on our exports front.

But, since 1970-71 till mid eighties there had been much acceleration, as indicated by the positive rates changes 8.8, 13.9 and 6.8 for years 1970-71, 1979-80 and 1980-81, as shown in the table. In 1985-86, though the value of exports was 8904 crores as compared to 8486 crores in 1980-81, the per centage change was -9.9 as indicated in the table. This is due to the absence of data in the table for the period 1981-82 to 1984-85 which, if taken together, might have resulted in negative per centage growth for this period. As such, the period 1970-71 to 1985-86 was marked by continuously increasing trend in the value of exports.

Factors like devaluation of the rupee, making Indian goods cheaper at international market, diversification of the production base gaining momentum in mid-sixties and the agreements to boost exports with erstwhile USSR and East Germany were responsible for the increasing trend of exports during the period 1970-71 to 1985-86 as indicated in the table-2.6.

Again the trade reforms as per the liberalised trade policy of 1991 which was modified in 1994-95 with a view to make foreign trade further develop, have started in yielding positive impact, as the growth of exports, particularly since 1993-94 reflect a continuously much higher rates of increase of 20.0 for 1993-94, 18.4 for 1994-95, and 20.7 per cent for 1995-96. However, the rate of increase in exports for 1996-97 was 5.3 as compared to 20.7 per cent for the previous year. The export growth rate further dipped in the following year to 4.6 per cent. This declining trend continued unalotted era to the extent that the exports growth was negative at -5.1 per cent rate in the year 1998-99. The year 1999-2000, however, reflects a period of welcome recovery and the growth rate touched a new high of 10.8 per cent. The factors responsible for this positive increase in the exports growth was the development of information technology sector whose exports were the highest in 1999-2000.

Another revealing feature of the table-2.6 is that like exports there has been continuous increase in imports too. But imports have been increasing at a much faster rate, right from 1950-1951, resulting in continuous increasing deficit from Rs. 4 crores in 1950-51 to as high

as Rs. 12904 crores in 1999-2000. This is in keeping with the phenomenon that in the developing countries imports exceed export in the initial stages of development. But before the mounting deficit assume serious proportions, serious measures are indicated to step up the exports. India has a great scope to augment its exports as its participation in world exports is insignificant. The following discussion and analysis will bring out India's share in the world's export and the scope for India to enlarge the chunk of its share in global exports.

India's Share in Global Exports

The chunk India enjoys in the world exports had widened in terms of value measures in US\$ billions during the nineties decade. Table-2.7 below presents the values of Indian aggregate exports in relation to global exports and measures the Indian share as well as the per centage increase or decrease in share India enjoys in the world exports.

Table-2.7**India's Share in Global Exports**

Year	Value (in US\$ billion)	India's Exports (in billion \$)	India's Exports as %age of world exports	Per centage Change in India's share (+/-)
(1)	(2)	(3)	(4)	(5)
1991-92	3735.0	19.56	0.52	-
1992-93	3730.6	21.55	0.57	10.2
1993-94	4243.0	25.08	0.59	16.4
1994-95	5103.6	30.06	0.59	22.4
1995-96	5322.5	33.10	0.62	08.1
1996-97	5505.8	35.00	0.63	05.7
1997-98	5416.9	33.40	0.61	-4.5
1998-99	5577.2	36.30	0.65	8.6
1999-00	6332.0	42.0	0.66	15.7
2000-01	NA	NA	NA	NA

Source: Economic Surveys of India; 2000-01, 1999-2000 and 1997-98.

The table-2.7 highlights that Indian exports have shown steady yearly increases during the decade of nineties, ie; it rose from 19.56 billion dollars in 1991-92 to 42 billion dollars in 1999- 2000 showing an increase of 114 per cent exports whereas, the value of World Trade has increased from 3735 billion dollars to 6332 billion dollars showing an increase of 69 per cent. India's share, however, in global exports has made increases at a snail's pace. Over the course of a decade, India's share in world exports could only rise by 0.14 per cent. The annual growth rate of India's share is marked by wide fluctuations. After an initial upsurge in the year 1992-93, 1993-94 and 1994-95 when it

grew at the rate of 10.2, 16.4, and 22.4 per cent respectively, the trend started a steep down ward journey with figures of yearly growth at 8.1 per cent in 1995-96 and 5.7 per cent in 1996-97. The yearly growth in India's share was negative at -4.5 per cent in 1997-98. The subsequent years reflect a welcome recovery in India's export share in the world at 8.6 in 1998-99 and a re-assuring 15.7 per cent in the year 1999-2000.

The strong export performance and recovery in 1999-2000 in the yearly growth rate of India's exports has been facilitated by an anticipation of a more robust global economy, resurgence in world trade and improvement in world commodity prices in 1999-2000. Besides, various facilitating export promotion measures, strong performance in key sectors like textiles, engineering goods, chemicals, genes and jewellery, leather and leather manufactures, ores and minerals and petroleum products have also contributed to this strengthening of exports. The uptrend in world merchandise exports and the recovery in crisis affected emerging Asian economies have also contributed in the 1999-2000 pick-up in the Indian exports.

After studying the theory of overall world trade the next chapter presents a study of "world trade under General Agreement on Tariffs and Trade regime." It presents the international trade, its policies to reduce tariffs, remove trade restrictions and other matters related to international trade.

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CHAPTER-3

WORLD TRADE UNDER GATT REGIME

The preceding chapter discussed world trade in retrospect and presented a clear picture of its historical perspective, imposition of tariff barriers, situation before and after World War I and World War II. It also analysed the growth of India's foreign trade in the context of world trade.

This chapter is devoted to a brief discussion on world trade under General Agreement on Tariffs and Trade regime which governed the international trade for a long time till December 31, 1994. The impact of GATT on India's foreign trade is also analysed.

On account of the great depression (1929-32) and thereafter due to the World War II (1939-45) the world economy suffered severe setback. The desired trends in transfer of capital, domestic savings, process of trade liberalisation and inter-financial co-operation got highly distorted and the pinch was felt by the world as a whole. There was need for the reconstruction of war-shattered economies. To address such issues, various international institutions e.g., International Bank for Reconstruction and Development (IBRD), or World Bank, and International Monetary Fund (IMF) were established. The need for providing nondiscriminatory multilateral trade was also felt. On December, 6, 1945, the U.S. came to recognize that the success in

liberalization of international trade would require the understanding and co-operation of all or most of the countries of the world. To secure these ends the US took a first step in assembling the representatives of major trading countries in 1947 to formulate a “rule book” for international trade. This assembly drafted a set of rules which suggested that the United Nations should call an international conference on trade and employment to create an international trade organisation as a part of the United Nation structure. This draft of rules embodied in charter form was deliberated in International Trade Organisation (ITO) in “Bretton Woods” conference. The representatives of 18 nations were appointed to the preparatory committee, which met in London in October and November, 1946. However, the representatives of 17 countries (Australia, Belgium, Luxembourg, Brazil, Canada, Chile, Cuba, Czechoslovakia, France, India, Lebanon, Netherlands, New Zealand, Norway, South Africa, USSR, the United States and the United Kingdom) participated, while the eighteenth country, Russia, did not take part in the negotiation for the establishment of an International Trade Organisation. This charter was worked out by an interim drafting committee in New York in January and February 1947. The second session of Preparatory Committee was held in Geneva, Switzerland, April to August, 1947. Geneva Conference prepared another Final Act/draft of a charter to be submitted for approval to a world trade conference in Havana, Cuba. It was debated from November, 1947 to March 1948 with participation of 23 countries for tariff negotiations. These

negotiations, conducted bilaterally, on a product by product basis, resulted in 123 bilateral agreements on reduction of trade barriers. The bilateral agreements were consolidated or embodied in the document called the "General Agreement on Tariffs and Trade" (GATT) and the Final Act was signed on October 30, 1947.

Objectives of International Trade Organisation (ITO)

The charter for the ITO expressed the desire for a gradual reduction of tariffs and opposed the use of import quotas, import licences and export subsidies. Various forms of import restrictions could be employed to protect infant industries, to enable countries to continue their assistance to domestic agricultural and few material producers¹.

Since ITO was not confirmed, it never became effective. The endeavour to establish the international trade organisation with much broader functions has been less successful. However, the enactment of the General Agreement on Tariffs and Trade (GATT) weakened interest of nations in the ITO. The United State and other nations supported GATT. This announcement spelled the end of the ITO and GATT came into existence.

A contract was signed on October 30, 1947 at Geneva and it became effective from 1st January, 1948. It was signed by 23 nations, latter their number became 53, as a consequences of Bretton Woods Conference. GATT's headquarter was established in Geneva. It drew

upon British experience. The GATT was based largely on selected parts of the draft of ITO charter with the purpose of liberalising trade. It was a multilateral treaty subscribed by 83 countries which together accounted for about 85 per cent of world trade.

As it is evident from its name, GATT is concerned only with tariffs and trade restrictions and not with any other international matters. It serves as an important international forum for carrying on negotiations on tariff. These negotiations were between several groups of countries. In fact, GATT is a treaty that is collectively administered to the contracting nations and it has assumed the shape of a permanent international organisation for guarding the conduct of international trade. Creation of GATT intended to achieve a broad, multilateral, and free world wide system of trading. Legally, it is an international treaty and embodies a set of rules and principles designed to promote international trade in general and the reduction of tariff barriers (custom duties and quotas) with special and differential treatment to developing countries. It acted as an international court which solved trade disputes with other members².

For 31 years, GATT had also functioned as the principal international body concerned with negotiating the reduction of trade barriers, quotas, prohibiting or limiting the use of non-tariff barriers to trade. It also ensured continuous reduction of quantitative import restrictions on industrial products, authorized importing countries to

take compensating action against trading partners if found dumping goods in their market which results in an injury to the domestic industries. As a result of dumping, the importing country may impose anti-dumping duties to the extent that the sale of imported goods takes place in the importing country's market, GATT authorized an importing country to impose countervailing duties on goods benefiting from exports subsidies in the exporting country when these result in injury to the domestic industry. This is to improve bilateral trade relations so that the international trade may flow freely and swiftly. It is a product of compromise. In principle, the GATT accord is based on non-discriminatory, reciprocity, transparency and openness in the trading system. GATT is thus both a code of conduct (rules) for international commercial relation that there should be no discrimination between foreign countries which are members of the agreement, and a forum in which countries can discuss and solve their trade problems and negotiate to enlarge world trading opportunities. The uninterrupted and fivefold growth in the volume of international trade over the quarter-century of its existence has provided continuing evidence of GATT's success in this double role. GATT rules govern the trade of its member countries and the conduct of their trade relation with one another³.

GATT's practices in the settlement of dispute and its grants of waivers from GATT rules have been power influences in shaping the world trading system. Before GATT there was no such organisation

who could have resolved the trade deadlocks of any two countries. Thus GATT (General Agreement on Tariffs and Trade) is neither a judicial system, nor an enforcement body. Yet its main function is to provide mechanisms for conciliation and settlement of dispute between the contracting parties on trade related issues with the object to ensure stability and predictability in international trade. It is also a system of “balanced rights and obligations” between the trading partners⁴.

The highest body of GATT is the session of contracting parties which is usually held annually. GATT decisions are generally arrived at by consensus and not by vote, and when on rare occasions voting takes place, each contracting party (member country) has one vote. Most decisions by vote are taken by simple majority, but a two-third majority of votes cast, with the majority comprising of more than half the member countries, is needed for “Waivers” authorization in particular cases, to depart from specific obligations under this agreement⁵. Member countries meet every two years and bargain for reductions, that apply to all countries. Within its theme it include inter-alia subjects such as trade of developing countries, trade of agricultural products, trade in tropical products, trade in regional economic group, etc.

In 1947, 23 countries were the member of GATT. In 1983 there were 84 countries under GATT another 16 countries were had made applications for membership. All developed countries of the world were the member of the GATT and most of developing countries were also

its member. Among the communist countries Czechoslovakia, Poland, Romania and Yugoslavia have been included. On the whole, more than two-third of the countries of the world were member of GATT and about 80 percent of the world trade was carried between members of GATT⁶.

Basic Aims and Objectives of GATT

The basic aim of GATT is to liberalise the world trade through negotiations among member countries and for the last over three decades it has been concerned with negotiating the reduction or even for elimination of trade barriers (tariffs and non-tariffs) between countries and improving trade relations, so that the international trade may flow freely. The main objectives of GATT are as follows:

- Expansion of production or increase the world production by ensuring full employment in the participating nations.
- Development and optimal utilisation of world resources.
- Raising standard of living of world community as a whole.
- Trade should be on non-discriminatory basis.
- Promote multilateral and free trade by reducing trade and other barriers including a gradual reduction in existing tariffs and the ultimate elimination of licensing restraints.
- In case of dispute and disagreement, consultation should be done within the frame work of GATT called settlement of trade dispute.

- To hold consultations to avoid damage to the interests of the members.
- To study questions pertaining to international trade and commercial policy and where appropriate, make recommendations thereon.
- To collect, analyse and publish information and statistical data relating to international trade and commercial policy⁷.

The agreement aims at directly or indirectly contributing towards these objectives through promotion of free and multilateral trade. It does not aim to achieve above objectives directly. For example, for contribution towards full employment it should promote world trade so that employment opportunities will create. It has reduced tariffs and other barriers substantially, if not abolished at all because, under certain cases these barriers are essential. Reduction of tariffs and elimination of discrimination should be on a reciprocal and mutually advantageous basis. By these objectives trade may be promoted, leading to wider dimensions of world trade and prosperity⁸.

Principles of GATT

To protect the rights and enforce the obligations of the nations signing the original 1947 tariff agreement, the contracting parties of GATT also adopted a set of rules on commercial policy. To ensure the

enforcement of these rules, they provided for bi-annual (twice yearly) meetings of the contracting parties, for the modest secretariat and for a permanent council of representatives. Thus GATT is essentially a contractual arrangement among the member of nations. This membership has increased to 92 at the end of 1986. It is also a permanent international organisation with continuing duties to safeguard the conduct of international trade. The rules adopted by GATT, follows the under mentioned principles⁹.

(1) Principle of Trade Without Discriminations:

This principle requires that no member country shall discriminate between the members of GATT in the conduct of international trade. This means equality in the sense that there is only one tariff rate in each country. Equality of rights is for each tariff item. To ensure nondiscrimination the member of GATT agreed to apply the principle of “Most Favoured - Nation” (MFN) in all import and export duties. “Most Favoured Nation Clause” means all member countries are bound to grant favourable treatment to each other in the application and administration of tariffs. This principle of MFN implies that each member nation should be treated as the most favoured nation. Any benefit given by one country in favour of another is automatically available to all the other member countries. MFN is considerably advantageous for developing countries because of their limited leverage solvency. However, in exception, GATT does not prohibit the economic integration like

free trade areas or customs union, member were free to adopt measures against dumping and export subsidies because these measures led to facilitate trade between territories.

(2) Principle of Protection Through Tariffs:

The principle states that protection should be given to domestic industries only through tariffs and not through other commercial measures to make competition possible. The imposition of quantitative restrictions (QRs) on imports and exports could be eliminated. Exceptions are however, provided in case of developing countries where developmental needs require more imports. A country may impose quantitative restrictions in order to avoid the excessive pressure on their foreign exchange resource.

Tariff is important to protect domestic industries because imposition of tariff duty on imported goods will lead to higher prices of imported goods within the country whereas the same commodity is available in the domestic market at a lower rate so customer will promote domestic market of a country.

(3) Principle of Prohibition of Quantitative Restrictions (QRs)

GATT rules seek to prohibit the quantitative restrictions as far as possible and limit restrictions on trade to be less rigid to countries confronted with the difficulties of balance of payment and to developing countries. Protection of domestic industry should be made only through



tariffs and not through other commercial measures like-QRs on imports and exports. But there are few exceptions to the rule against the use of QRs which permitted the use of QRs are below:

- (i) on agricultural and fishery products, when required for the enforcement of certain governmental measures;
- (ii) when countries are in balance of payments difficulties; and
- (iii) to developing countries for the development of particular industries and subject to the approval of the measure by the contracting parties¹⁰.

(4) Principle of Removal of Barriers to Trade Through Negotiations:

Tariffs and other barriers to trade should be eliminated, through negotiations on a mutually advantageous and reciprocal basis. The tariff concessions by GATT reduced the effective tariff rates by about 50 percent. The negotiations should be for the reduction of tariffs or binding of low tariffs on reciprocal basis. For this each member has to work in good faith and should not raise its tariffs and other quantitative measures with a view to increasing bargaining power in tariff negotiations¹¹.

(5) Principle of Restraint on the Use of Subsidies:

Two types of subsidies were prevalent in countries, viz., production subsidies and export subsidies. GATT rule is that countries are required

not to use production subsidies in such a way as to cause serious prejudice to the interests of other countries. Use of export subsidies on primary products are permitted, subject to certain qualifications. As regards subsidies on manufactured products, the original GATT rules visualised that all countries should undertake not to use subsidies by an agreed date.

(6) Rules Governing the Levy of Countervailing and Anti-Dumping Duties:

Countervailing duties are levied against the goods which are receiving subsidies in their home country and anti-dumping duties are imposed on goods which are landed in importing country at price below the genuine one.

On products, which are receiving subsidy, the GATT rules permit the levy of countervailing duties, but only in cases where it has been established that imports of subsidised products are causing injury to domestic industry. Similarly, levy of anti-dumping duties on dumped imports is permitted only if the importing country is able to show that the effect of dumping was to cause damage to the domestic industry¹³.

(7) Rules Governing Safeguard Actions:

An importing country may take a safeguard action, in exceptional and emergency situations, to protect a specific domestic industry from

an unforeseen increase of imports of any product which may cause serious injury to the industry. These safeguard actions taken by raising tariffs level or imposing quantitative restrictions.

(8) Principle of Consultation

All disagreement are to be resolved through consultation. A basic principle of GATT is that member countries should consult one another in the matter of trade and trade related problems. The GATT councils have set up the panels of independent experts to examine the trade disputes between member-states. GATT's members can call the panel on GATT for the settlement in cases where member countries feel that their rights under GATT have been encroached by another member of the GATT. Then the dispute be brought to conference table and compromised. The members on the panel are chosen among countries which have no direct interest in the disputes being investigated. The panel is generally interested in making mutual settlement between two-parties. The GATT promoted the use of these panels¹⁴.

(9) Principle of Stable Basis of Trade

A stable basis for trade is provided under GATT rules. The contracting countries (member countries) are bound to obey the levels of tariffs negotiated between the members. Binding by tariffs mean that they can not be increased unilaterally by any country. However, provision for renegotiation has been made by which the bound tariffs can be

increased. However, this is less in practice in this principle. Tariff is increased to affect the parties¹⁵.

The purpose of GATT is to give the same rights to all foreign traders as those given to domestic traders.

Articles of GATT Charter

GATT lays down rules, for the conduct of international trade and provides a platform for trade negotiations through which trade liberalization can take place. The various important articles of GATT, as relevant to the present study, are briefly discussed as below:

Article I deals with Most Favoured Nations Treatment. It provides that with respect to customs duties and charges of any kind, any advantage or favour granted by a contracting party to any product originating or destined for any other country shall be accorded immediately and unconditionally to the like product originating in the territories for all other contracting parties.

Article II deals with Schedules of Tariff Concessions. It provides broadly that each contracting party shall accord to the commerce of other contracting parties, treatment no less favourable than that provided for, in the appropriate part of the appropriate schedule.

Article III deals with National Treatment on Internal Taxation and Regulation. According to this internal taxes and other charges should not be applied to imported or domestic products so as to afford

protection to domestic production. Similarly, the imported goods shall not be subject directly or indirectly to internal taxes and other charges of any kind in excess of those applied directly or indirectly to like domestic products.

Thus imported products shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws and regulations.

Article VI deals with Anti-Dumping and Countervailing Duties. Dumping is the situation where products of one country are introduced/ sold into the market of another country at less than the normal value of the product prevailing in the foreign country and lower than the price which the firm is charging in the home market. Permanent dumping may be the results in international price discriminations. Such discriminations consists in changing different prices for the same product which different national markets will bear. Tariffs may be a suitable weapon to fight dumping. Dumping is despised by home producers.

In order to prevent dumping, a contracting party may levy on any dumped product an anti-dumping duty not greater in amount than the margin of dumping in respect of such product. Antidumping means counteracting or measures taken to prevent the dumping actions.

Further, no countervailing duty shall be levied on any product of the territory of a contracting party, imported into the territory of another

contracting party, in excess of an amount equal to the estimated subsidy determined to have been granted directly, or indirectly on the manufacture, production or export of such product in the country of origin or exportation, including any special subsidy to the transportation of a particular product.

Article X deals with Publications and Administration of trade regulations. According to this, each contracting party shall administer in a uniform, impartial and reasonable manner all its laws, regulations, decisions and rulings.

Article XI deals with General Elimination of Quantitative Restrictions (QRs). According to this provision no prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licenses, or other measures, shall be maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined (originating) for the territory of any other contracting party.

Article XII deals with Restrictions to Safeguard the Balance of Payments. As such notwithstanding the provisions of Articles XI, any contracting party, in order to safeguard its external financial position and its balance of payments, may restrict the quantity, or value of merchandise, permitted to be imported subject to certain provisions, laid down in this behalf.

Article XIII deals with Non-Discriminatory Administration of Quantitative Restrictions. It lays down that no prohibition or restrictions shall be applied by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation of any product originating/destined for the territory or any other contracting party, unless the importation of the like product of all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

Article XIV deals with Exception to the Rule of Non-Discrimination. A contracting party while applying restrictions may deviate from the provisions of Article XIII in a manner having equivalent effect to restrictions on payments and transfers for current international transactions. Further a contracting party, may, in consultation with other parties, temporarily deviate from the foresaid provisions, in respect of a small part of its external trade where the benefits to the parties concerned substantially outweigh and injury which may result to the trade of other parties.

Article XV deals with Relations between the Contracting Parties and the IMF. Accordingly the contracting parties shall seek co-operation with the IMF, with a view to pursuing mutually a co-ordinated policy with regard to questions of QRs, and other trade measures and those of exchange arrangements, within the jurisdictions of both, respectively.

Article XVI- Section A deals with Subsidies in General. In case a subsidy is granted directly or indirectly, in the form of income or price support either to increase the exports or reduce the imports, the country so doing, shall notify the other contracting parties in writing, of the extent and nature of subsidization, its estimated effect upon the product and also the circumstances making it necessary. If, however, such a subsidization threatens or causes a serious injury to the interests of other parties, the country granting it, shall upon request, discuss with them the possibility of limiting the subsidization so granted. Such types of subsidies available to low income or resource poor farmers in developing countries and benefited to agricultural and rural community.

Section B deals with Additional Provisions on Export Subsidies. It is observed that the grant of subsidy may have harmful effects for other contracting parties or cause undue disturbance to their normal commercial interests or may hinder the achievement of the objectives of the agreement. Therefore, it is, desirable that the contracting parties should seek to avoid the use of subsidies on the exports of primary products.

Article XVII deals with State Trading Enterprises. An enterprise, whether public or private authorised by the contracting party to undertake purchases or sales of commodities involving imports or exports, shall act in a non-discriminatory manner.

Article XVIII deals with Governmental Assistance to Economic Development. Under this article, it is recognised that the attainment of the objectives of GATT agreement will be facilitated by the progressive development of economies of the contracting parties, particularly those whose economies can only support low standards of living and are in the early stages of development. With a view to raising the general standard of living of their people, they can take protective and other measures affecting imports, which are justified in so far as they facilitate the attainment of the objective of GATT agreement.

Article XIX deals with Emergency Action on Imports of Particular Products. If, as a result of unforeseen developments and of the effect of obligations (including tariff concessions) incurred by a contracting party, the imported commodity creates conditions which cause to threaten serious injury to the domestic producers of that commodity or the directly competitive products, it shall be free, in respect of such product, to prevent or remedy such injury or suspend the obligation in whole or in part or withdraw or modify the concession, to the extent and for such time as may be necessary.

Before granting such status to the article, it is required to show that import of this product is taking place, in such increased quantity and under such conditions as to cause serious injury to domestic producers of like or directly competitive products.

Article XX deals with General Exceptions. A contracting party shall be free to adopt or enforce any of the following measures, provided that it does not constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail:

- (a) necessary to protect public morals, human, animal, plant life or health;
- (b) import or export of gold or silver and products of prison labour;
- (c) protection of national treasures of artistic, historic or archaeological value and conservation of exhaustible natural resources;
- (d) restrictions on exports of such domestic materials as are essential for running the domestic processing industry; and
- (e) essential to the acquisition or distribution of products in general or local short supply.

Article XXI deals with Security Exceptions. It stated that nothing in GATT agreement shall be construed.

- (a) to require any contracting party to furnish any information vital to its security interest; or
- (b) to prevent any contracting party from taking any action, necessary for the protection of its essential security interests such as one

relating to fissionable materials, to traffic in arms, ammunition and implements of war or other emergency in international relations; or

- (c) to prevent any contracting party from taking an action required under the United Nations Charter for the maintenance of international peace and security.

Article XXII deals with Consultation. Each contracting party shall accord sympathetic consideration and afford adequate opportunity for consultation regarding such representations as may be made by another contracting party with respect to any matter affecting the operation of GATT agreement.

Article XXIII deals with Nullification or Impairment. If any contracting party considers that a benefit accruing to it directly or indirectly is being nullified or impaired by any action of another contracting party, the party thus approached shall give sympathetic consideration to the representations or proposals made to it.

Failing a satisfactory adjustment within a reasonable time, the matter may be referred to the Contracting Parties (the third party group) who shall promptly investigate into it and make appropriate recommendations to the parties concerned or give a ruling on the matter, as appropriate.

Article XXIV deals with Territorial Application Frontier Traffic - Customs Unions and Free- Trade Areas. The GATT agreement clarifying the criteria and procedures for the review of new or enlarged customs unions or free trade areas and for the evaluation of their effects on the third parties. It also clarifies the procedure for achieving any necessary compensatory adjustment in the event of contracting parties forming a customs union seeking to increase a bound tariffs. The provisions of GATT agreement shall apply to the metropolitan customs territories of the contracting parties.

A customs territory shall be understood to mean any territory with respect to which separate tariffs or other commercial regulations are maintained for a substantial part of the trade of such territory with other territories. And a customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories. Similarly a free trade area will imply a group of two or more customs territories in which the duties and other restrictive regulations of commerce are eliminated on substantially all the trade between the constituent territories in products originating in such territories. The purpose of a customs union or of a free trade area should be to facilitate trade between the constituent territories and not to raise the barriers to trade of other contracting parties. Hence, it is desirable to increase the freedom of trade by the development, through voluntary agreements, of closer integration between the economies of contracting parties to

Article XXV deals with Waivers. GATT agreement specify from GATT disciplines, to specify termination dates for any waivers to be granted in the future and to fix expiry dates for existing waivers.

Article XXVII deals with Withdrawal of Concessions. A contracting party is free to withhold or withdraw a concession in whole or in part, provided by it in the schedule, by notifying its action to the other contracting parties. Such a contracting party shall also offer upon request a suitable opportunity for consultation with those who have a substantial interest in the product concerned.

Article XXVIII deals with Modification of GATT Schedules. On the first day of each three-year period (beginning from January 1, 1958) a contracting party may, modify or withdraw a concession, by negotiation and agreement with any contracting party with which such concession was initially negotiated.

Article XXVIII deals with Tariff Negotiations. The contracting parties recognise that customs duties often constitute serious obstacles to trade; thus, the contracting parties negotiate on mutually advantageous basis, directed to the substantial reduction of the general level of tariffs and other charges on imports and exports and in particular to the reduction of such high tariffs as discourage the importation even of minimum quantities, are of great importance to the expansion of international trade. Thus, they may sponsor such negotiations from time to time,

which may be carried either on a selective product by product basis or with multilateral procedures.

Article XXXI deals with Withdrawal. Under this article any contracting party is autonomous in the conduct of its external commercial relations, may withdraw from this agreement or separately on behalf of any of the customs territories for which it has international responsibility.

Article XXXV deals with Non-Application of the Agreement between Particular Contracting Parties. The agreement shall not apply as between any contracting party and any other contracting party if the two contracting parties have not entered into tariff negotiations with each other. The contracting parties may review the operation of this Article in particular cases at the request of any contracting party and make appropriate recommendations¹⁶.

Functioning of GATT System

A draft decision on the functioning of the GATT system would confirm the Trade Policy Review Mechanism, encourage greater transparency in the national trade policy making reforms in requirements and procedures of trade under the GATT. The draft decision also sets out concepts and proposals with respect to increasing the contribution of GATT to achieving greater coherence in global economic policy making. Among other things, the text notes that greater exchange rate stability based on more orderly underline economic and financial

conditions should contribute to “the expansion of trade, sustainable growth and development, and timely correction of external imbalances”. In particular the Director General of GATT is called upon to review with his opposite numbers in the World Bank and the International Monetary Fund, the implication of GATT future responsibilities for its cooperation with the Bretton Woods institutions. Therefore, GATT is called upon to develop its co-operation with the internal organisations responsible for monitoring and in financial matters¹⁷.

GATT acts as a supervising authority which helps and guides the member countries in increasing international trade. It helps/ describes the way through which international trade can run steadily, smoothly, in a disciplined manner, through co-operation of others. Through its co-operation and mutual belongingness, the imbalances among trading nations have been reduced.

After judging from the totality of its working, it can be said that GATT has proved its importance by playing important role in reducing tariffs on the basis of Most Favoured Nations and other barriers to trade. It succeeded in helping out balance of payment difficulties without applying its exceptional rule.

GATT Trade Rounds/GATT Multilateral Trade Negotiations

The journey from ‘Havana’ to ‘Marrakesh’ took 47 years of negotiations to facilitate and increasing free trade. These negotiations

covered a wide range of subjects, ranging from tariffs to trade related dispute settlement mechanism.

GATT Multilateral Trade Negotiations-An Overview

Under the auspices of GATT, eight conferences on multilateral trade negotiations have so far been concluded. The eighth round which concluded recently, came to be known as 'Uruguay Round'. The first round of negotiations was held in the latter half of 1947 before GATT came into existence. A brief chronological presentation of various negotiation rounds are as follows.

- The first round of negotiations was held at Geneva (Switzerland) in 1947-48.
- The second at Annecy (France) in 1949.
- The third at Torquay (England) in 1951,
- The fourth at Geneva (Switzerland) in 1956.
- The fifth round (Dillon Round) at Geneva(Switzerland) in 1960-61.
- The sixth round (Kennedy Round) at Geneva(Switzerland) in 1964-67.
- The seventh round (Tokyo Round) held at Tokyo (Japan) in 1973-79.
- And the eighth round which is the last round known as "Uruguay Round" held at Uruguay in 1986-94.

The first five round concentrated only on the exchange of tariff concessions. In these conferences more than 60,000 tariff rates were reviewed and settled. During the sixth round non-tariff barriers to international trade were also discussed, but the results were largely limited to the exchange of tariff concessions only. Anti-dumping code and "World Grains Agreements" were the only achievements evolved during this round in the area of non-tariff measures. The Tokyo Round attached more importance to non-tariff measures, though in respect of exchange of tariff concessions it was not less significant than the preceding rounds. As regards the exchange of tariff concessions covered under these rounds, the table-3.1 specifies the results of each round, conducted so far, in respect of value of trade covered and the number of tariff concessions exchanged. For some rounds both the types of figures are not available.

Table-3.1
Showing Results of Multilateral Trade Negotiations
Conducted so far

Negotiations	Years	Focus	Values of Trade Covered	No. of Concessions Made	No. of Countries Participated
Havana (Geneva)	1947-48	Tariffs	\$10 billion	45,000	23
Annecy (France)	1949	Tariffs	No. Fig. Pub.	5000	13
Berlin/Torquay(England)	1951	Tariffs	No. Fig. Pub.	8,700	38
Switzerland (Geneva)	1956	Tariffs	\$2.5 billion	No. Fig. Pub.	26
Geneva (Dillon Round)	1960-61	Tariffs	\$4.9 billion	4,400	26
Geneva (Kennedy Round)	1964-67	Tariffs & Non-Tariff measures	\$ 40 billion	Fig. not available	62
Tokyo (Tokyo Round)	1973-79	"Framework Agreement"	\$ 155 billion	27,000	102
Geneva (Uruguay Round)	1986-94	Tariffs and Non-Tariff measures, Rules and Services, IPRs, dispute settlement, textile, agriculture, creation of WTO	\$ 1000 billion		124

Source: GATT publications¹⁸.

The above table-3.1 presents at a glance the outcome of various rounds of multilateral trade negotiations which have taken place from time to time. The statistics is self speaking with regard to focus of negotiations on each round of negotiations, the concessions agreed upon, the value of trade covered and the number of participating

countries. In all eight rounds of negotiations have been held and tariffs have been the focus of attention in all rounds except the one called Tokyo round held in 1973-79 which devoted to the “Framework Agreement” for the conduct of world trade.

As a result of various tariff concessions and removal of restrictions the world trade expanded manifold in the real terms during the period 1947-94. During the years the increase in the trade in terms of value was of the order of 13 percent annually (average) and 10 percent per year (average) in volume. The average annual growth rate in the world output was 5.5 percent¹⁹.

GATT-A 46 Years Chronology of Events

Let us we discuss eight multilateral trade negotiations in brief:

The First Round of GATT at Geneva: 1947-48

On January 1, 1948, GATT came into force. Its 23 founding members were, Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Serbia, South Africa, United Kingdom and the United States. The first session of the contracting parties was held from February to March in Havana, Cuba. The secretariat of the interim commission for the ITO which served as the adhoc secretariat of GATT, moved from

Lake Placid, New York, to Geneva. The contracting parties held their second session in Geneva from August to September, 1948. The aim of this round was to reduce tariffs by an average of 20 percent or exchange tariff cuts for 45,000 products worth \$ 10 billion of trade on an annual basis²⁰.

The Second Round of GATT at Annecy: 1949

During the second round of trade negotiations, held from April to August, 1949 at Annecy in France, the contracting parties reduced additional tariffs (customs duties) for another 5000 items between 1 and 2 percent of the total output. Ten additional signatories joined the GATT. They were Danmark, Dominican Republic, Finland, Greece, Haiti, Italy, Liberia, Nicaragua, Sweden and Uruguay²¹.

Third Round of GATT at Torquay: 1951

From September 1951 to April 1952 was held the third round of GATT. The contracting parties exchanged some 3,700 tariff concessions in the English town of Torquay approving tariff reductions of about 25 percent in relation to the 1948 level. Countries of commonwealth were given preferences by the United Kingdom, resulting in the other contracting parties withholding concessions. Additional signatories were Austria, Federal Republic of Germany, Korea, Peru, the Philippines and Turkey²².

The Fourth Round of GATT at Geneva: 1956

The fourth round was completed in 'May'.of 1956 at Geneva and produced some \$2.5 billion worth of tariff reductions. Japan signed the agreement and no further progress on the liberalization of world trade could be facilitated²³.

The Fifth Round of GATT at Geneva (Dillon Round): 1960-61

This round was held from 1960-1961 by the name in honour of US secretary of state, "Douglas Dillon" who proposed the negotiation. It resulted in about 4,400 tariff concessions, that is, customs duties were cut on further 4,400 items. It covered \$4.9 billion of trade. This agreement was also signed by Cambodia, Israel and Portugal.

This round was divided into two phases; the first was related to negotiation with EEC (European Economic Communities) member states for the creation of a single schedule of concession for the Community based on as Common External Tariff, and the second was a general round of tariff negotiations²⁴.

In the Dillon Round, developing countries asked for special rules from the committee to take decision in considering the problems of providing reciprocity. But the committee rejected the idea of having special rule calling for unilateral concessions and said that article XXVIII be referred in this connection. It further stated that each country would make its own decision as to the adequacy of reciprocity. Then the

developing countries were called upon to examine the barrier to developing countries' export with a view to facilitating the expansion of their export earnings. The 1960-61 Dillon Round Negotiations proved unsatisfactory to most of the contracting parties. In November 1961 a ministerial meeting was held which agreed to begin work immediately on a new round of negotiations for new procedures. It gave more emphasis to the degree of reciprocity to be expected from developing countries.

In May 1963, the Ministerial Declaration gave much emphasis on duty-free access for tropical product, every participant was free to judge on mutual basis for itself and all countries should co-operate in seeking reciprocity that will lead to highest level of concessions²⁵.

The Sixth Round of GATT at Geneva (Kennedy Round):1964-67

In 1962, under advice of President Kennedy of USA fresh GATT negotiations opened. It was felt that customs unions were discriminating against non-members in such a way that world trade interests were being adversely affected. While some of the members were complaining against the restrictive trade practices by USA, the USA was itself complaining against EEC. The USA wanted linear reduction "in tariffs" while EEC favoured "harmonized reductions" of tariffs. If harmonization did not take place, there would be disparities in tariff structure of the major trading nations²⁶. Then a meeting at ministerial level was held. A

Trade Negotiation Committee (TNC) formally opened the 'Kennedy Round' in May 1963. In June 1967, the 'Final Act' of round was signed by 50 participating countries which together accounted for 75 percent of world trade. The original proposal was to introduce 50 percent cuts in tariffs with concessions covered on estimated total value of trade of about \$40 billion. The Kennedy Round tariff negotiations were intended to cover all classes of products including industrial products, agricultural and primary products, like chemical products, grain, meat, dairy products, tropical products and to deal with both tariffs and non-tariff barriers. Non-tariff measures covered - subsidies, countervailing measures, technical barriers to trade, customs valuation, import licensing procedures and anti-dumping cost. This round also provided acceptable conditions for access to the world market for agricultural products such as cereals, meat, etc²⁷.

The tariff negotiations were made to linear or across the board tariff reduction because traditional approach was on product by product or item by item basis and country by country basis.

The Kennedy Round gave more emphasis on tariff negotiations of products of export interest of developed countries. Developed countries were getting more benefits. The sixth round was regarded as a "rich men's deal" only. Most of the concerns of the less developed countries fell on deaf ears and product of developed countries were considered "item-by-item and with bilateral" approach. Tariffs on industrial goods,

electricity machinery, transport capital goods, non-electrical machinery, chemical coal and instruments got cuts ranging from 36 percent to 49 percent²⁸. When exploitation of developing world was being done by great powers then the UNCTAD (United Nations Conference on Trade and Development) meeting in 1964, was held in which delegates agreed that GATT has not fully satisfied the expectations of developing world as it could not contribute significantly to the trade policy and economic growth of the less developed countries. The over all result of Kennedy round was very substantial and of larger magnitude than other multilateral negotiation in the previous rounds. However, despite agreement in principle for meeting the trade requirements of developing countries the results of the Kennedy Round were not very satisfactory from developing countries point of view because their trading problems were not solved and the priority which they deserved was not received as per their expectations.

India and Kennedy Round Agreement

For India, the successful conclusion of the Kennedy Round was that the top priority would be given to the developing countries in relation to tariff talks as an important objective. Ideally assistance of developing countries would be a long-term contract for its primary exports and there should be progressive terms in purchasing their new manufactures. It means that there should be a long term contract about basic and primary needed products of export (which developing countries want to

sale at first preference) to help the developing countries to make progress their manufactures. The developing country like India in order to enjoy full benefits, should acquire a competitive ability either by its internal economic discipline or by development of external salesmanship.

In 1968, the United States of America, Japan, Norway, Sweden, Denmark and Finland implemented the tariff cuts under the Kennedy Round. In the consequences, the exports of Indian jute, fabrics, kips, goat and sheep skins, cashewnuts and cinnamon boosted because these products now had duty free entry into the market of above countries²⁹.

The Seventh Round of GATT at Tokyo (Tokyo Round): 1973-79

This round also known as 'Tokyo Round'. Under this round ministers from which 99 countries participated to dealt with the issues of tariffs and non-tariff measures and trade liberalization in agrarian sector. The tariff reductions were cut by 20-30 percent for goods with a traded value of \$300 billion. Under the Tokyo round several agreements were made concerning viz., subsidies and countervailing measures, technical barriers to trade, import licensing procedures, government procurement, customs valuation, a revised anti-dumping code, trade in bovine meat, trade in dairy and tropical product and trade in civil aircraft. The first result of the round was, reduction in import duties and other trade barriers granted by industrial countries on tropical products exported by developing countries³⁰. The results of the Tokyo Round were divided into three basic areas:

(i) **Liberalisation of Trade Barriers:** The tariff concessions negotiated in this round were substantial, and industrialised (developed) countries agreed to reduce their tariffs, on an average by about one-third (33 percent), over a period of eight years. The most important cuts have been on non-electrical machinery, wood products, chemicals and transport equipment, textile and leather sectors. Tariff reductions on agricultural products ranged between 7 and 12 percent on finished products and 26 and 37 percent on all industrial products.

(ii) **Codes to Govern the Use of Non-tariff Barriers:** With a general reduction in tariffs, the use of non-tariff barriers also increased in this round. It was decided, that the establishment of multilateral codes of conduct in each non tariff measures is the best method of controlling the use of non-tariff measures³¹.

(iii) **Improvements in the Framework for International Trade of LDCs**

In all the codes of Tokyo Round, special assistance is given to developing countries. Undeveloped countries will get concessions on non-reciprocal basis under 'enabling clause'.

The two failures of Tokyo Round were lack of an agreement on application of safeguard measures to face unforeseen imports threatening domestic industry and lack of improvement in the dispute settlement mechanism.

Tokyo Round and Developing Countries

In the course of preparations for seventh round of multilateral trade negotiations it was decided to provide special treatment to developing countries. The Tokyo declaration has clearly specified that the negotiations aim to secure additional benefits for international trade of developing countries to achieve a substantial increment in their foreign exchange earnings, diversification of their exports, accelerate the growth-rate of their trade which is essential for their developmental needs. The declaration also specified that negotiations should cover both tariffs and non-tariff barriers, deals with both industrial and agricultural products and the products which are export interest, and measures effect their export.

The most significant outcome of the Tokyo Round is the use of 'Enabling Clause' which allow preferential tariff treatment by developed countries for product (which are originating in developing countries) to developing countries under the "Generalized System of Preferences" (GSP), More Favourable treatment will be given to developing countries in the area of non-tariff barriers, regional and global arrangements among developing countries and special treatment is given to LDCs. If developed countries adopt protective measures they also take into account the export interests of developing countries³².

The Tokyo Round of negotiations provided an important boost to international trade in the years that followed. Further steps were taken for integration of developing countries into world trading system.

Generalized System of Preferences (GSP): The Generalized system of preferences was established by UNCTAD to improve market access for product from developing countries in the industrialized countries. This scheme provided that export of raw materials, manufactured and semi-manufactured goods from the less developed countries should be subjected to lower taxes or at duty free. The concessions were given for ten years at one time. The GSP opens up markets for less developed countries in developed countries and enable them to earn foreign exchange through trade. This preferential treatment is, however applicable by the preference granting countries. These countries are the original six members of the European Economic Communities (EEC) namely, Belgium, France, Federal Republic of Germany, Italy, Luxembourg, Netherlands, plus Japan, Norway, Denmark, Finland, Ireland, New Zealand, Sweden, U.K., Switzerland, Austria and Canada. It represents the proposal of developing countries that concessions granted by the developed world should be centered on trade aspect than aid aspect.

India and Tokyo Round

India has actively participated in the Tokyo Round of trade negotiations. In its trade relations relating to tariffs, she has bilateral

negotiations and consultations with USA, EEC, Japan and other developing countries. It exchanged the tariff concessions with these countries. The important items which are of export interest to India on which tariffs have been reduced by the USA, are diamonds, woollen carpets, handloom fabrics, mill-made fabrics, goat and kid, leather, mica and mica products, jute yarn, wearing apparel, lace and net bedding, bedspreads and steel and brass articles used in households. The items of exports on which EEC made concessions are cotton fabrics, jute fabrics, coirmats and mattings, woollen carpets, silk fabrics, leather and leather products and all handicraft items. In case of Japan, duty were reduced on shrimps and prawns, cuttle fish and squid, cashewnuts, walnuts, cotton fabrics, jute fabrics and cut diamonds. Other developing countries have also offered small concessions on some items of India's export. In return of above concessions, India has a bound tariff on a number of items, e.g., certain textile and leather machinery, certain machine tools and related items, soyabean oil, wood pulp for the manufacture of newsprint, pulp excluding wood pulp, magnesium and alloys, power cranes, heat pacers and petroleum and gas well-drilling equipment and parts thereof³³.

The Eighth Round of GATT at Geneva (Uruguay Round): 1986- 1994

The GATT Ministers' Meeting at Punta del Este, Uruguay, launched the eighth round of trade negotiations on 20th September, 1986, known as Uruguay Round. This round was concluded on 15 December, 1993.

The Final Act of this round was signed on 15th April 1994 with 124 member countries. It came into effect from 1st January 1995. The same is discussed in the fourth chapter in detailed as this round has cleared the horizon for the formation of WTO.

Benefits from the GATT in General

General benefits for each member country of GATT are as follows:

1. **Most Favoured Nation (MFN) Status:** GATT provides that all member countries should grant favourable treatment to each other in the appropriate volume and administrations of tariffs either through agreeing or through bounding. This is more beneficial to developing countries. There should be no discrimination since trade between member countries is as good as domestic trade, so there will be only one tariff rate per item on foreign trade.
2. **Disciplined International Trade:** The rules established by GATT governing international trade provide a stable and orderly basis for a country to carry on its international trade. If any rule is contravened (against) by a country then the other country can resort to the dispute settlement mechanism of GATT to obtain a remedy. This will act as a hinderance for the developed countries to take unilateral decisions against the developing countries.
3. **Boost for Global Economy:** According to official estimates of GATT the treaty will boost global income by between \$200 to 300

billion a year-more than one percent of World Gross National Product, (GNP) over 10 years from 1995. This is possible through optimum utilisation of resources, fair return and increase in international trade.

4. Anti-dumping Duties: Governments are always under pressure to protect domestic industry from “unfair” foreign competition in the form of dumped exports. Under GATT, Anti-Dumping Duty (ADD) can be imposed, if it is established that the dumping is causing or threatening to cause, material injury to domestic industry and the domestic industry’s growth, even its survival, is threatened³⁴.

5. Settlement of Dispute: This is a big advantage of GATT that a member can bring to the annual meeting, its complaint against any other member on the issue of breaking of law. Firstly, parties are requested to settle their dispute mutually, if the matter found unsolved then a panel may be set up by the members to act as an informal court to settle disputes, which hears the parties to the dispute, studies, consider carefully and draft (given) its recommendations.

6. Moderation of Quantitative Restrictions: Quantitative Restrictions are imposed by a country to protect its reserves. The GATT has only weapons of persuasion and consultations between the parties which are weak and easily breakable upon the continuing of it (QRs). It means tariffs is neither too high nor too low. QRs are the subject to continuous review and constant pressure on the parties. This act as an advantage for countries’ import and protection, both.

7. Tariff Negotiations: The tariff concessions developed by the GATT have reduced the effective tariff rate by about 50 percent. Additional benefits have come to the members from the stability of the rates established through negotiations. It has thus served the course of world's free trade³⁵.

Shortcomings of GATT:

No doubt that GATT provides a useful forum for facilitating multilateral negotiations on reciprocity basis and also provide a mechanism for dispute settlement, but it failed in facilitating the economic development of poorer countries. As a result of this GATT is criticized as a "rich men's club". It is elaborated in detail as below:

1. GATT has no super-national authority.
2. Due to diverse nature of GATT membership, uniform general rules are difficult to frame.
3. Principles of nondiscrimination, mutual benefit, 'reciprocity' and 'special preferences, can not go side by side. GATT negotiations became a big mess.
4. Bilateralism and multilateralism also can not go side by side because, certain matters are discussed on bilateral basis (reciprocal basis) under GATT.
5. Generalized System of Preferences (GSP) concessions and Most Favoured Nation concessions also come in clash with each other.

GSP concessions are a part of the programme of “aid” while the MFN concessions are a part of programme of expanding “trade”.

6. The item by item or commodity by commodity approach makes the future planning difficult in less developed countries.
7. GATT is not a representative world body as it excluded many important countries of the communist block and also excluded many newly independent developing nations. It has been called “rich countries club” by developing countries. According to these countries, GATT has mostly served the interests of United States and other developed countries of Europe.
8. It has no success in dealing with many problems in surrounding trade in agricultural products, trade in primary commodities and trade in sensitive products like textiles³⁶.
9. The increasing use of subsidies had been another important factor of GATT. Its rules on subsidies are not explicit. GATT rules permitted domestic subsidies but they take revenge if they damaged the trade interests of other countries.
10. The “safeguard” rules under GATT’s article allowed the contracting parties to grant protection in case of need, such as injurious dumped or subsidised imports, or in severe balance of payments difficulties. But all these restrictions permitted temporarily under the escape

clause which become permanent features of the world trading system.

11. The rules of GATT of formation of customs unions and free trade areas had been distorted and abused. These rules weakened the GATT. The benefits of MFN rule had failed to spread uniformly among the contracting parties.
12. The GATT being a mandatory body, it did not possess any mechanism to get its rules implemented by contracting parties. In dispute settlement procedure there are only three or five independent experts in the panel, they give recommendations to parties but there is no legal binding to accept these recommendations. This is a serious weakness of the GATT.

Due to these inherent loop-holes in the working of GATT, it is said that 80 percent of the world trade was conducted outside the GATT rules³⁷.

GATT and India

India has been one of the founder member of GATT. Global interdependence is increasing at a faster rate today. The world economy is changing. Countries discuss their matters and affairs in the light of global context. When it was felt by India that its exports and imports are getting increasingly skewed and need diversification, the government of India also started the process of economic liberalization in July 1991,

with the introduction of new industrial policy which opened the doors of domestic economy to world economy. The economic liberalization process includes industrial delicensing, trade liberalization reduction and rationalization in direct and indirect taxes. Deregulations of the financial sector, privatization, restructuring of public sector undertakings, etc.

Gains from the GATT to India

Many important advantages for which India signed the GATT treaty are discussed as under:

- If India would have not signed the GATT agreement, India would have lost the Most Favoured Nations (MFN) status as compared to the bilateral agreement. The MFN treatment is useful particularly to developing countries like India whose economic leverage is limited in the world.
- National treatment is available from all member countries. Various kinds of concessions and facilities were be given to member countries.
- There is favourable treatment in tariffs and trade by which India is gaining from the reduced tariffs on manufactured goods.
- The GATT has acted as a problem solving platform because the major function of GATT is to settle the disputes between its member countries. India has successfully resolved many disputes through this platform.

- If India would have not signed the GATT, its foreign trade could have been become more difficult because we would have to depend completely on bilateral agreements.

Criticism of the GATT in India

Despite progress on the front of international trade, the developing countries like India could not succeed in obtaining fullest satisfaction with the outcome of GATT's negotiations. The GATT in Indian context has been criticised on the following grounds:

- By joining the GATT agreement India and other developing countries have to discuss their trade matter under GATT's principles. They can not take any liberty on their own accord.
- There are wide disparities in trading benefits between developed and developing countries.
- The especial and preferential agreement for developing countries is just a formality. In reality poor countries or LDCs are not much favoured in trade in comparison to other developed nations.
- While making its plans and policies India has to think carefully about other poor and industrialized country to espouse their cause also.

Now the question arises is that if there was any alternative for India if it had not signed the GATT and what had happened when India remained outside the GATT agreement?

It is clear from above discussion that no country gets all that it wants in any multilateral global trade agreements. This is a compromising processes to give and take basis. The multilateral trading system provides a stable basis of trade and a set of rule for conducting of world trade is not less beneficial in itself. The global trade negotiations are more favourable than continuing the bilateral trade agreements. So it was a sensible decision of India to go along with other nations to accept the GATT accord.

India's trade is expected to go up by nearly two billion dollars per annum due to general expansion of the world trade following the GATT agreement. India's share in the world trade in the year 1947 (when GATT came into being) stood at 2.4 percent and latter it was sliding down to 0.5 percent in 1992 whereas the global trade rose tenfold during the same period. Thus there is no certainty that if world trade expands then India's share will also expand. Thus, it can be said that as India goes ahead with its economic reforms aimed at liberalization, efficiency, and competitiveness. India would be in better position to take advantage of the proposed multilateral trading system. So India had accepted the GATT not as a threat but as an opportunity³⁸.

In the next chapter a study is made of different agreements emerging from the Uruguay Round (1986-94) of negotiations for an indepth understanding of the GATT implications for world trade.

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CHAPTER-4

THE URUGUAY ROUND OF TALKS

The previous chapter discussed the world trade under the GATT regime and highlighted the salient features of the Agreement with their bearings on the trade between the countries of the world. The GATT, passed through eight rounds of negotiations and the Uruguay Round of talks was the last one. It extended over eight years of deliberations and ultimately led to the birth of a new order of trade under the banner of WTO. The present chapter is accordingly devoted to a detailed discussion of the eighth round of negotiations held at Uruguay. An attempt has been made to detail the negotiations to govern the world trade as well as the outcome of negotiations culminating in the birth of WTO.

The Uruguay Round (1986-1994)

Uruguay in Latin America dominated the scene when trade ministers of different countries of the world met in Punta del Este on 20th September, 1986. It was the last round of GATT Multilateral Trade Negotiations which extended over the period from 1986 to 1994. The Dunkel Draft (DD) was in the final focus of attention during this round of negotiation's. It was the most comprehensive, complex, difficult and protracted round. It differed from earlier rounds as many rules of international trade and negotiations were redefined, restructured and refashioned, and covered various issues which did not find place in

previous rounds. The Uruguay Round is also an attempt to tackle the issues of strategic importance for designing and management of the global economy, including linkages between money, trade and finance. This round may affect the domestic development and future options of the developing countries. The aim of the Uruguay Round of Multilateral Trade Negotiations was to secure a balanced agreement among the participants in accordance with increase in market access, improvements in rules (procedures), institutional matters covering trade in goods, services and intellectual property protection.

The Uruguay Round of negotiations was to be completed by the end of 1990, but the introduction of some new items like Trade Related Intellectual Property Rights (TRIPs), Trade Related Investment Measures (TRIMs) and General Agreement on Trade in Services (GATS) led to some confusions. A widespread disagreement and inordinate delay in conclusion, sharpened the differences among the participating countries. Thus the negotiation was resumed in February 1991 and the area of talks was reduced from fifteen to seven issues (Agriculture, textiles and clothing, services, rule making, TRIMs and TRIPs, dispute settlement, and market access), but the major conflicts were not resolved. In order to break the deadlock, Mr. Arthur Dunkel, the Director General of GATT and the official Chairman of the Trade Negotiation Committee (TNC) presented the draft (proposal) on 20th December, 1991 in Geneva commonly known as Dunkel Draft (DD) or Dunkel Treaty (DT) with a

view to hastening the Uruguay Round to a successful conclusion. Arthur Dunkel who prepared this draft/copy of GATT's proposal suggested either to accept this proposal or leave the membership of GATT. It "offers a concrete and comprehensive representation of the final global package of the results of the Uruguay Round".

The Dunkel Draft being a legal and technical document, it was the complete package. It was stressed "No single element of the Final Act of the Draft can be considered as agreed till the total package is agreed". It meant that an element can not be agreed in isolation until and unless all the elements (issues) are agreed. If any country is in favour of Dunkel Draft, it must accept all the conditions of all items in accepting the proposal¹.

After debating the proposals for about 7 years the Uruguay Round was finally concluded on 15th December, 1993 but the final Act of the U.R. which was signed by 124 participating countries at Marrakesh (Morocco) on 15 April, 1994 embodies the results of the U.R. of Multilateral Trade Negotiations.

Agreements under Uruguay Round of Trade Negotiations

The Uruguay Round covered fifteen trade related issues. It covered almost all forms of trade, from toothbrushes to speed boats, from banking to telecommunications, from genes of rice to pharmaceuticals. Out of the fifteen negotiating groups, fourteen issues are related to

trade in goods and the 15th area is pertaining to the liberalisation of trade in services. But in latter stage of this round these issues were reduced from 15 to seven: viz., Agriculture, textiles and clothing, GATS, trade rules, TRIMs and TRIPs, dispute settlement, market access areas/issues. The fifteen agreements are summarized in table-4.1.

Table-4.1

Uruguay Round Agreements

Negotiating areas (Groups)	Outcomes
Market Access	
1. Tariffs	<ul style="list-style-type: none"> - Average tariffs on industrial products cut by 38 percent. - Elimination of duties in 11 sectors. - Increase in proportion of bound duties in Developed Market Economics (DMEs) and Least Developed Countries (LDCs). - Formula approach vs product by product approach.
2. Non-tariff measures	<ul style="list-style-type: none"> - Prohibition of grey area (non - tariff) measures. - Tariffication Non-tariff barriers in agriculture.

Sectors

- | | |
|--|--|
| 3. Natural resource- based

Products | <ul style="list-style-type: none"> - Tariff reductions. - Use of quantitative restrictions. - Access to supplies. - Products coverage in the group's work. |
| 4. Tropical products | <ul style="list-style-type: none"> - Tariff reductions. - Increased liberalisation of processed and semi-processed tropical products. |
| 5. Textiles and clothing | <ul style="list-style-type: none"> - Four-stage phase-out of Multi-Fibre Arrangement. - Transitional safeguards. - Constraints on circumvention. |
| 6. Agriculture | <ul style="list-style-type: none"> - Tariffication of NTBs (non-tariff barriers) and gradual reduction thereof. - Constraints on non-decoupled domestic support. - Reduction in the value and quantity of products subject to export subsidies. |

- Affirmation of rights and obligations in sanitary and phytosanitary measures.
- Concessions for the less developed and least developed countries.

GATT/WTO System

7. Safeguards

- Prohibition of grey-area measures.
- Explicit “sunset” arrangement.
- Tighter criteria for application.
- Limited provision for discrimination.

8. Subsidies and countervailing duties

- “Traffic light” system introduced.
- Disciplines on use of CVDs.
- Exemptions for least developed.

9. GATT articles

- Requirement that interventions under article XVIII_B and XII be price based.
- Clarification and reinforcement of the criteria of Articles IV.
- Strengthening of procedures for calculating dumping margin under article VI; strengthening injury test and improving dispute settlement.

- Strengthening of provisions on rules of origin and pre-shipment inspection.
- 10. MTNs
 - New procedures for negotiation of compensation when bindings are modified to assist LDCs in negotiations.
- 11. Functioning of the GATT system
 - Commitment to sustain. Trade Policy Review Mechanism.
 - Creation of WTO and shift to bi-annual ministerial meeting.
- 12. Dispute settlement
 - Effective enforcement of panel's conclusions.
 - Improvement of the efficiency and transparency.

New Issues

- 13. Trade-related investment measures (TRIMs)
 - Prohibition of TRIMs inconsistent with article III and XI.
 - Phase-out of existing TRIMs.
 - Concessions for LDCs.
 - General commitment to MFN where possible.

- | | |
|---|---|
| 14. Trade in intellectual property rights (TRIPs) | <ul style="list-style-type: none"> - Specific provisions on copyrights, trademarks, geographical indications, industrial designs, patents, layout designs of integrated circuits, trade sectors. - Phased transition for LDCs. |
| 15. Services | <ul style="list-style-type: none"> - General commitment to MFN where possible. - Agreements for progressive liberalisation. - Specific institutional provisions for: air transport, financial services, telecommunications. - Broad concepts on principles and rules for trade in services. - Foreign investment - International labour mobility. |

Source: David Greenaway and Chris Milner, "International Labour Review" International Labour Office, Geneva, Volume 134, No. 4-5, 1995, pp. 501-502

The above table-4.1 highlighted the negotiating areas or groups which took place under the Uruguay Round and also shows the results drawn by debating the agreements. There is no doubt that some groups disagreed and got disappointed by at least some of the outcomes, partially

because of initial expectations about the Round were inevitably inflated and partly because, the process of finalising tariffs offers and finding tariffs equivalents for non-tariff barriers revealed that many contracting parties felt that they had not gone as far as the outcome claimed. However, various commitments were made to improve market access and some constitutional reforms had been undertaken. Then 111 parties signed the agreement and in short, the world is better-off with these agreements.

A Summary of the Final Act of the Uruguay Round

The WTO's agreements are often called the Final Act of the 1986-1994 Uruguay Round of trade negotiations. This is a summary of the agreements.

Introduction

"The Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations", signed by ministers in Marrakesh on 15 April 1994 is 550 pages long and contains legal texts which spell out the results of the negotiations since the Round was launched in Punta del Este, Uruguay, in September 1986. In addition to the texts of the agreements, the Final Act also contains texts of Ministerial Decisions and Declarations which further clarify certain provisions of some of the agreements. The Final Act covers all the negotiating areas cited in the Punta del Este Declaration with two important exceptions.

The first is the results of the “market access negotiations” in which individual countries have made binding commitments to reduce or eliminate specific tariffs and non-tariff barriers to merchandise trade. These concessions are recorded in national schedules that form an integral part of the Final Act. The second is the “initial commitments” on liberalisation of trade in services. These commitments on liberalisation are also recorded in national schedules.

Agreement Establishing the World Trade Organisation

The agreement establishing the World Trade Organisation (WTO) calls for a single institutional framework encompassing the GATT, as modified by the Uruguay Round, all agreements and arrangements concluded under its auspices and the complete results of the Uruguay Round. Its structure is headed by a Ministerial Conference meeting at least once every two years. A General Council oversees the operation of the agreement and ministerial decisions on a regular basis. This General Council acts as a Dispute Settlement Body and a Trade Policy Review Mechanism, which concern themselves with the full range of trade issues covered by the WTO, and has also established subsidiary bodies such as a Goods Council, a Services Council and a TRIPs Council. The WTO framework ensures a “single undertaking approach” to the results of the Uruguay Round - thus, membership in the WTO entails accepting all the results of the Round without exception.

General Agreement on Tariffs and Trade 1994

Texts on the interpretation of the following GATT articles are included in the Final Act:

Article II - Schedules of Concessions. Agreement to record in national schedules “other duties or charges” levied in addition to the recorded tariff and to bind them at the levels prevailing at the date established in the Uruguay Round Protocol.

Understanding on the Interpretation of Article XVII - State-trading Enterprises. Agreement increasing surveillance of their activities through stronger notification and review procedures.

Understanding on the Interpretation of Articles XII and XVIII:B Balance-of-payments provisions. Agreement that contracting parties imposing restrictions for balance-of-payments purposes should do so in the least trade-disruptive manner and should favour price-based measures, like import surcharges and import deposits, rather than quantitative restrictions. Agreement also on procedures for consultations by the GATT Balance-of-Payments Committee as well as for notification of BOP measures.

Understanding on the Interpretation of Article XXIV - Customs Unions and Free-Trade Areas. Agreement clarifying and reinforcing the criteria and procedures for the review of new or enlarged customs unions or free-trade areas and for the evaluation of their effects on third parties.

The agreement also clarifies the procedure to be followed for achieving any necessary compensatory adjustment in the event of contracting parties forming a customs union seeking to increase a bound tariff. The obligations of contracting parties in regard to measures taken by regional or local governments or authorities within their territories are also clarified.

Understanding on the Interpretation of Article XXV - Waivers. Agreement of new procedures for the granting of waivers from GATT disciplines, to specify termination dates for any waivers to be granted in the future, and to fix expiry dates for existing waivers. The main provisions concerning the granting of waivers are, however, contained in the Agreement on the WTO.

Understanding on the Interpretation of Article XXVIII - Modification of GATT Schedules. Agreement on new procedures for the negotiation of compensation when tariff bindings are modified or withdrawn, including the creation of a new negotiating right for the country for which the product in question accounts for the highest proportion of its exports. This is intended to increase the ability of smaller and developing countries to participate in negotiations.

Understanding on the Interpretation of Article XXXV - Non-application of the General Agreement. Agreement to allow a contracting party or a newly acceding country to invoke GATT's non-application provisions vis-à-vis the other party after having entered into tariff

negotiations with each other. The WTO Agreement foresees that any invocation of the non-application provisions under that Agreement must extend to all the multilateral agreements.

Uruguay Round Protocol GATT 1994

The results of the market access negotiations in which participants have made commitments to eliminate or reduce tariff rates and non-tariff measures applicable to trade in goods are recorded in national schedules of concessions annexed to the Uruguay Round Protocol that forms an integral part of the Final Act. The Protocol has five appendices:

Appendix I Section A: Agricultural Products - Tariff concessions on a Most-Favoured Nation basis;

Appendix I Section B: Agricultural Products - Tariff Quotas; Appendix II: Tariff Concessions on a Most-Favoured Nation Basis on Other Products;

Appendix III: Preferential Tariff - Part II of Schedules (if applicable);

Appendix IV: Concessions on Non-Tariff Measures - Part III of Schedules;

Appendix V: Agriculture Products: Commitments Limiting Subsidization - Part IV of Schedules, Section I: Domestic Support: Total AMS Commitments, Section II: Export Subsidies: Budgetary Outlay and Quantity, Reduction Commitments Section III: Commitments Limiting

the Scope of Export Subsidies. The schedule annexed to the Protocol relating to a Member shall become a Schedule to the GATT 1994 relating to that Member on the day on which the Agreement Establishing the WTO enters into force for that Member. For non-agricultural products the tariff reduction agreed upon by each Member shall be implemented in five equal rate reductions, except as may be otherwise specified in a Member's Schedule. The first such reduction shall be made effective on the date of entry into force of the Agreement Establishing the WTO. Each successive reduction shall be made effective on 1 January of each of the following years, and the final rate shall become effective no later than the date four years after the date of entry into force of the Agreement Establishing the WTO. However, participants may implement reduction in fewer stages or at earlier dates than those indicated in the Protocol, if they so wish.

For agricultural products, as defined in Article 2 of the Agreement on Agriculture, the staging of reductions shall be implemented as specified in the relevant parts of the schedules. Details are given in the section of this paper concerning the Agricultural Agreement. A related Decision on Measures in Favour of Least-Developed Countries establishes, among other things, that these countries will not be required to undertake any commitments and concessions which are inconsistent with their individual development, financial and trade needs. Alongside other more specific provisions for flexible and favourable treatment, it

also allows for the completion of their schedules of concessions and commitments in Market Access and in Services by April 1995 rather than 15 December 1993.

Agreement on Agriculture

The negotiations have resulted in four main portions of the Agreement; the Agreement on Agriculture itself; the concessions and commitments Members are to undertake on market access, domestic support and export subsidies; the Agreement on Sanitary and Phytosanitary Measures; and the Ministerial Decision concerning Least-Developed and Net Food-Importing Developing countries.

Overall, the results of the negotiations provide a framework for the long-term reform of agricultural trade and domestic policies over the years to come. It makes a decisive move towards the objective of increased market orientation in agricultural trade. The rules governing agricultural trade are strengthened which will lead to improved predictability and stability for importing and exporting countries alike. The agricultural package also addresses many other issues of vital economic and political importance to many Members. These include provisions that encourage the use of less trade-distorting domestic support policies to maintain the rural economy, that allow actions to be taken to ease any adjustment burden, and also the introduction of tightly prescribed provisions that allow some flexibility in the implementation of commitments. Specific concerns of developing countries have been

addressed including the concerns of net-food importing countries and least-developed countries.

The agricultural package provides for commitments in the area of market access, domestic support and export competition. The text of the Agricultural Agreement is mirrored in the GATT Schedules of legal commitments relating to individual countries (see above). In the area of **market access**, non-tariff border measures are replaced by tariffs that provide substantially the same level of protection. Tariffs resulting from this “tariffication” process, as well as other tariffs on agricultural products, are to be reduced by an average 36 per cent in the case of developed countries and 24 per cent in the case of developing countries, with minimum reductions for each tariff line being required. Reductions are to be undertaken over six years in the case of developed countries and over ten years in the case of developing countries. Least-developed countries are not required to reduce their tariffs.

The tariffication package also provides for the maintenance of current access opportunities and the establishment of minimum access tariff quotas (at reduced-tariff rates) where current access is less than 3 per cent of domestic consumption. These minimum access tariff quotas are to be expanded to 5 per cent over the implementation period. In the case of “tariffied” products “special safeguard” provisions will allow additional duties to be applied in case shipments at prices denominated in domestic currencies below a certain reference level or in case of a

surge of imports. The trigger in the safeguard for import surges depends on the “import penetration” currently existing in the market, i.e. where imports currently make up a large proportion of consumption, the import surge required to trigger the special safeguard action is lower.

Domestic support measures that have, at most, a minimal impact on trade (“green box” policies) are excluded from reduction commitments. Such policies include general government services, for example in the areas of research, disease control, infrastructure and food security. It also includes direct payments to producers, for example certain forms of “decoupled” (from production) income support, structural adjustment assistance, direct payments under environmental programmes and under regional assistance programmes.

In addition to the green box policies, other policies need not be included in the Total Aggregate Measurement of Support (Total AMS) reduction commitments. These policies are direct payments under production-limiting programmes, certain government assistance measures to encourage agricultural and rural development in developing countries and other support which makes up only a low proportion (5 per cent in the case of developed countries and 10 per cent in the case of developing countries) of the value of production of individual products or, in the case of non-product-specific support, the value of total agricultural production. The Total AMS covers all support provided on either a product-specific or non-product-specific basis that does not

qualify for exemption and is to be reduced by 20 per cent (13.3 per cent for developing countries with no reduction for least-developed countries) during the implementation period.

Members are required to reduce the value of mainly direct *export subsidies* to a level 36 per cent below the 1986-90 base period level over the six-year implementation period, and the quantity of subsidised exports by 21 per cent over the same period. In the case of developing countries, the reductions are two-thirds those of developed countries over a ten-year period (with no reductions applying to the least-developed countries) and subject to certain conditions, there are no commitments on subsidies to reduce the costs of marketing exports of agricultural products or internal transport and freight charges on export shipments. Where subsidised exports have increased since the 1986-90 base period, 1991-92 may be used, in certain circumstances, as the beginning point of reductions although the end-point remains that based on the 1986-90 base period level. The Agreement on Agriculture provides for some limited flexibility between years in terms of export subsidy reduction commitments and contains provisions aimed at preventing the circumvention of the export subsidy commitments and sets out criteria for food aid donations and the use of export credits.

“Peace” provisions within the agreement include: an understanding that certain actions available under the Subsidies Agreement will not be applied with respect to green box policies and domestic support and

export subsidies maintained in conformity with commitments; an understanding that “due restraint” will be used in the application of countervailing duty rights under the General Agreement; and setting out limits in terms of the applicability of nullification or impairment actions. These peace provisions will apply for a period of 9 years.

The agreement sets up a committee that will monitor the implementation of commitments, and also monitor the follow-up to the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries. The package is conceived as part of a continuing process with the long-term objective of securing substantial progressive reductions in support and protection. In this light, it calls for further negotiations in the fifth year of implementation which, along with an assessment of the first five years, would take into account non-trade concerns, special and differential treatment for developing countries, the objective to establish a fair and market-oriented agricultural trading system and other concerns and objectives noted in the preamble to the agreement.

Agreement on Sanitary and Phytosanitary Measures

This agreement concerns the application of sanitary and phytosanitary measures - in other words food safety and animal and plant health regulations. The agreement recognises that governments have the right to take sanitary and phytosanitary measures but that

they should be applied only to the extent necessary to protect human, animal or plant life or health and should not arbitrarily or unjustifiably discriminate between Members where identical or similar conditions prevail.

In order to harmonize sanitary and phytosanitary measures on as wide a basis as possible, Members are encouraged to base their measures on international standards, guidelines and recommendations where they exist. However, Members may maintain or introduce measures which result in higher standards if there is scientific justification or as a consequence of consistent risk decisions based on an appropriate risk assessment. The Agreement spells out procedures and criteria for the assessment of risk and the determination of appropriate levels of sanitary or phytosanitary protection.

It is expected that Members would accept the sanitary and phytosanitary measures of others as equivalent if the exporting country demonstrates to the importing country that its measures achieve the importing country's appropriate level of health protection. The agreement includes provisions on control, inspection and approval procedures.

Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries

It is recognized that during the reform programme least-developed and net food-importing developing countries may experience negative effects with respect to supplies of food imports on reasonable terms and conditions. Therefore, a special decision sets out objectives with regard to the provision of food aid, the provision of basic foodstuffs in full grant form and aid for agricultural development. It also refers to the possibility of assistance from the International Monetary Fund and the World Bank with respect to the short-term financing of commercial food imports. The Committee of Agriculture, set up under the Agreement on Agriculture, monitors the follow-up to the decision.

Agreement on Textiles and Clothing

The object of this negotiation has been to secure the eventual integration of the textiles and clothing sector - where much of the trade is currently subject to bilateral quotas negotiated under the Multifibre Arrangement (MFA) - into the GATT on the basis of strengthened GATT rules and disciplines.

Integration of the sector into the GATT would take place as follows : first, on 1 January 1995; each party would integrate into the GATT products from the specific list in the Agreement which accounted for

not less than 16 per cent of its total volume of imports in 1990. Integration means that trade in these products will be governed by the general rules of GATT.

At the beginning of Phase 2, on 1 January 1998, products which accounted for not less than 17 per cent of 1990 imports would be integrated. On 1 January, 2002, products which accounted for not less than 18 per cent of 1990 imports would be integrated. All remaining products would be integrated at the end of the transition period on 1 January 2005. At each of the first three stages, products should be chosen from each of the following categories: tops and yarns, fabrics, made-up textile products, and clothing.

All MFA restrictions in place on 31 December, 1994 would be carried over into the new agreement and maintained until such time as the restrictions are removed or the products integrated into GATT. For products remaining under restraint, at whatever stage, the agreement lays down a formula for increasing the existing growth rates. Thus, during Stage 1, and for each restriction previously under MFA bilateral agreements in force for 1994, annual growth should be not less than 16 per cent higher than the growth rate established for the previous MFA restriction. For Stage 2 (1998 to 2001 inclusive), annual growth rates should be 25 per cent higher than the Stage 1 rates. For Stage 3 (2002 to 2004 inclusive), annual growth rates should be 27 per cent higher than the Stage 2 rates.

While the agreement focuses largely on the phasing-out of MFA restrictions, it also recognizes that some members maintain non-MFA restrictions not justified under a GATT provision. These would also be brought into conformity with GATT within one year of the entry into force of the Agreement or phased out progressively during a period not exceeding the duration of the Agreement (that is, by 2005).

It also contains a specific transitional safeguard mechanism which could be applied to products not yet integrated into the GATT at any stage. Action under the safeguard mechanism could be taken against individual exporting countries if it were demonstrated by the importing country that overall imports of a product were entering the country in such increased quantities as to cause serious damage - or to threaten it - to the relevant domestic industry, and that there was a sharp and substantial increase of imports from the individual country concerned. Action under the safeguard mechanism could be taken either by mutual agreement, following consultations, or unilaterally but subject to review by the Textiles Monitoring Body. If taken, the level of restraints should be fixed at a level not lower than the actual level of exports or imports from the country concerned during the twelve-month period ending two months before the month in which a request for consultation was made. Safeguard restraints could remain in place for up to three years without extension or until the product is removed from the scope of the agreement (that is, integrated into the GATT), whichever comes first.

The agreement includes provisions to cope with possible circumvention of commitments through transshipment, re-routing, false declaration concerning country or place of origin and falsification of official documents.

The agreement also stipulates that, as part of the integration process, all members shall take such actions in the area of textiles and clothing as may be necessary to abide by GATT rules and disciplines so as to improve market access, ensure the application of policies relating to fair and equitable trading conditions, and avoid discrimination against imports when taking measures for general trade policy reasons. In the context of a major review of the operation of the agreement to be conducted by the Council for Trade in Goods before the end of each stage of the integration process, the Council for Trade in Goods shall by consensus take such decisions as it deems appropriate to ensure that the balance of rights and obligations in this agreement is not upset. Moreover, the Dispute Settlement Body may authorise adjustments to the annual growth of quotas for the stage subsequent to the review with respect to Members it has found not to be complying with their obligations under this agreement.

A Textiles Monitoring Body (TMB) oversees the implementation of commitments and to prepare reports for the major reviews mentioned above. The agreement also has provisions for special treatment to certain categories of countries - for example, those which have not been MFA

members since 1986, new entrants, small suppliers, and least-developed countries.

Agreement on Technical Barriers to Trade

This agreement will extend and clarify the Agreement on Technical Barriers to Trade reached in the Tokyo Round. It seeks to ensure that technical negotiations and standards, as well as testing and certification procedures, do not create unnecessary obstacles to trade. However, it recognizes that countries have the right to establish protection, at levels they consider appropriate, for example for human, animal or plant life or health or the environment, and should not be prevented from taking measures necessary to ensure those levels of protection are met. The agreement therefore encourages countries to use international standards where these are appropriate, but it does not require them to change their levels of protection as a result of standardization. Innovative features of the revised agreement are that it covers processing and production methods related to the characteristics of the product itself. The coverage of conformity assessment procedures is enlarged and the disciplines made more precise. Notification provisions applying to local government and non-governmental bodies are elaborated in more detail than in the Tokyo Round agreement. A Code of Good Practice for the Preparation, Adoption and Application of Standards by standardizing bodies, which is open to acceptance by private sector bodies as well as the public sector, is included as an annex to the agreement.

Agreement on Trade Related Aspects of Investment Measures

The agreement recognizes that certain investment measures restrict and distort trade. It provides that no contracting party shall apply any TRIM inconsistent with Articles III (national treatment) and XI (prohibition of quantitative restrictions) of the GATT. To this end, an illustrative list of TRIMs agreed to be inconsistent with these articles is appended to the agreement. The list includes measures which require particular levels of local procurement by an enterprise ("local content requirements") or which restrict the volume or value of imports such an enterprise can purchase or use to an amount related to the level of products it exports ("trade balancing requirements").

The agreement requires mandatory notification of all non-conforming TRIMs and their elimination within two years for developed countries, within five years for developing countries and within seven years for least-developed countries. It establishes a Committee on TRIMs which will, among other things, monitor the implementation of these commitments. The agreement also provides for consideration, at a later date, of whether it should be complemented with provisions on investment and competition policy more broadly.

Agreement on Implementation of Article VI (Anti-dumping)

Article VI of the GATT provides for the right of contracting parties to apply anti-dumping measures, i.e. measures against imports of a

product at an export price below its “normal value” (usually the price of the product in the domestic market of the exporting country) if such dumped imports cause injury to a domestic industry in the territory of the importing contracting party. More detailed rules governing the application of such measures are currently provided in an Anti-dumping Agreement concluded at the end of the Tokyo Round. Negotiations in the Uruguay Round have resulted in a revision of this Agreement which addresses many areas in which the current Agreement lacks precision and detail.

In particular, the revised Agreement provides for greater clarity and more detailed rules in relation to the method of determining that a product is dumped, the criteria to be taken into account in a determination that dumped imports cause injury to a domestic industry, the procedures to be followed in initiating and conducting anti-dumping investigations, and the implementation and duration of anti-dumping measures. In addition, the new agreement clarifies the role of dispute settlement panels in disputes relating to anti-dumping actions taken by domestic authorities. On the methodology for determining that a product is exported at a dumped price, the new Agreement adds relatively specific provisions on such issues as criteria for allocating costs when the export price is compared with a “constructed” normal value and rules to ensure that a fair comparison is made between the export price and the normal value of a product so as not to arbitrarily create or inflate margins of

dumping. The agreement strengthens the requirement for the importing country to establish a clear causal relationship between dumped imports and injury to the domestic industry. The examination of the dumped imports on the industry concerned must include an evaluation of all relevant economic factors bearing on the state of the industry concerned.

The agreement confirms the existing interpretation of the term "domestic industry". Subject to a few exceptions, "domestic industry" refers to the domestic producers as a whole of the like products or to those of them whose collective output of the products constitutes a major proportion of the total domestic production of those products. Clear-cut procedures have been established on how anti-dumping cases are to be initiated and how such investigations are to be conducted. Conditions for ensuring that all interested parties are given an opportunity to present evidence are set out. Provisions on the application of provisional measures, the use of price undertakings in anti-dumping cases, and on the duration of anti-dumping measures have been strengthened. Thus, a significant improvement over the existing Agreement consists of the addition of a new provision under which anti-dumping measures shall expire five years after the date of imposition, unless a determination is made that, in the event of termination of the measures, dumping and injury would be likely to continue or recur. A new provision requires the immediate termination of an anti-dumping investigation in cases where the authorities determine

that the margin of dumping is *de minimis* (which is defined as less than 2 per cent, expressed as a percentage of the export price of the product) or that the volume of dumped imports is negligible (generally when the volume of dumped imports from an individual country accounts for less than 3 per cent of the imports of the product in question into the importing country). The agreement calls for prompt and detailed notification of all preliminary or final anti-dumping actions to a Committee on Anti-dumping Practices. The agreement will afford parties the opportunity of consulting on any matter relating to the operation of the agreement or the furtherance of its objectives, and to request the establishment of panels to examine disputes.

Agreement on Implementation of Article VII (Customs Valuation)

The Decision on Customs Valuation would give customs administrations the right to request further information of importers where they have reason to doubt the accuracy of the declared value of imported goods. If the administration maintains a reasonable doubt, despite any additional information, it may be deemed that the customs value of the imported goods cannot be determined on the basis of the declared value, and customs would need to establish the value taking into account the provisions of the Agreement. In addition, two accompanying texts further clarify certain of the Agreement's provisions relevant to developing countries and relating to minimum values and importations by sole agents, sole distributors and sole concessionaires.

Agreement on Preshipment Inspection

Preshipment inspection (PSI) is the practice of employing specialized private companies to check shipment details - essentially price, quantity, quality - of goods ordered overseas. Used by governments of developing countries, the purpose is to safeguard national financial interests (prevention of capital flight and commercial fraud as well as customs duty evasion, for instance) and to compensate for inadequacies in administrative infrastructures.

The agreement recognizes that GATT principles and obligations apply to the activities of preshipment inspection agencies mandated by governments. The obligations placed on PSI-user governments include non-discrimination, transparency, protection of confidential business information, avoidance of unreasonable delay, the use of specific guidelines for conducting price verification and the avoidance of conflicts of interest by the PSI agencies.

The obligations of exporting contracting parties towards PSI users include non-discrimination in the application of domestic laws and regulations, prompt publication of such laws and regulations and the provision of technical assistance where requested.

The agreement establishes an independent review procedure - administered jointly by an organisation representing PSI agencies and an organisation representing exporters - to resolve disputes between an exporter and a PSI agency.

Agreement on Rules of Origin

The agreement aims at long-term harmonization of rules of origin, other than rules of origin relating to the granting of tariff preferences, and to ensure that such rules do not themselves create unnecessary obstacles to trade.

The agreement sets up a harmonization programme, to be initiated as soon as possible after the completion of the Uruguay Round and to be completed within three years of initiation. It would be based upon a set of principles, including making rules of origin objective, understandable and predictable. The work would be conducted by a Committee on Rules of Origin (CRO) in the WTO and a technical committee (TCRO) under the auspices of the Customs Cooperation Council in Brussels.

Much work was done in the CRO and the TCRO and substantial progress has been achieved in the three years foreseen in the Agreement for the completion of the work. However, due to the complexity of the issues the HWP could not be finalized within the foreseen deadline. The CRO continued its work in 2000. In December 2000, the General Council Special Session agreed to set, as the new deadline for completion of the remainder of the work, the Fourth Session of the Ministerial Conference, or at the latest the end of 2001.

Until the completion of the harmonization programme, contracting parties would be expected to ensure that their rules of origin are transparent; that they do not have restricting, distorting or disruptive effects on international trade; that they are administered in a consistent, uniform, impartial and reasonable manner, and that they are based on a positive standard (in other words, they should state what does confer origin rather than what does not).

An annex to the agreement sets out a “common declaration” with respect to the operation of rules of origin on goods which qualify for preferential treatment.

Agreement on Import Licensing Procedures

The revised agreement strengthens the disciplines on the users of import licensing systems - which, in any event, are much less widely used now than in the past - and increases transparency and predictability. For example, the agreement requires parties to publish sufficient information for traders to know the basis on which licences are granted. It contains strengthened rules for the notification of the institution of import licensing procedures or changes therein. It also offers guidance on the assessment of applications.

With respect to automatic licensing procedures, the revised agreement sets out criteria under which they are assumed not to have trade restrictive effects. With respect to non-automatic licensing

procedures, their administrative burden for importers and exporters should be limited to what is absolutely necessary to administer the measures to which they apply. The revised agreement also sets a maximum of 60 days for applications to be considered.

Agreement on Subsidies and Countervailing Measures

The Agreement on Subsidies and Countervailing Measures is intended to build on the Agreement on Interpretation and Application of Articles VI, XVI and XXIII which was negotiated in the Tokyo Round. Unlike its predecessor, the agreement contains a definition of subsidy and introduces the concept of a “specific” subsidy - for the most part, a subsidy available only to an enterprise or industry or group of enterprises or industries within the jurisdiction of the authority granting the subsidy. Only specific subsidies would be subject to the disciplines set out in the agreement.

The agreement establishes three categories of subsidies. First, it deems the following subsidies to be “prohibited”: those contingent, in law or in fact, whether solely or as one of several other conditions, upon export performance; and those contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods. Prohibited subsidies are subject to new dispute settlement procedures. The main features include an expedited timetable for action by the Dispute Settlement Body, and if it is found that the subsidy is

indeed prohibited, it must be immediately withdrawn. If this is not done within the specified time period, the complaining member is authorized to take countermeasures. (See the section on “Dispute Settlement” for details on the procedures).

The second category is “actionable” subsidies. The agreement stipulates that no member should cause, through the use of subsidies, adverse effects to the interests of other signatories, i.e. injury to domestic industry of another signatory, nullification or impairment of benefits accruing directly or indirectly to other signatories under the General Agreement (in particular the benefits of bound tariff concessions), and serious prejudice to the interests of another member. “Serious prejudice” shall be presumed to exist for certain subsidies including when the total *ad valorem* subsidization of a product exceeds 5 per cent. In such a situation, the burden of proof is on the subsidizing member to show that the subsidies in question do not cause serious prejudice to the complaining member. Members affected by actionable subsidies may refer the matter to the Dispute Settlement body. In the event that it is determined that such adverse effects exist, the subsidizing member must withdraw the subsidy or remove the adverse effects.

The third category involves non-actionable subsidies, which could either be non-specific subsidies, or specific subsidies involving assistance to industrial research and pre-competitive development activity, assistance to disadvantaged regions, or certain type of assistance for

adapting existing facilities to new environmental requirements imposed by law and/or regulations. Where another member believes that an otherwise non-actionable subsidy is resulting in serious adverse effects to a domestic industry, it may seek a determination and recommendation on the matter.

One part of the agreement concerns the use of countervailing measures on subsidized imported goods. It sets out disciplines on the initiation of countervailing cases, investigations by national authorities and rules of evidence to ensure that all interested parties can present information and argument. Certain disciplines on the calculation of the amount of a subsidy are outlined as is the basis for the determination of injury to the domestic industry. The agreement would require that all relevant economic factors be taken into account in assessing the state of the industry and that a causal link be established between the subsidized imports and the alleged injury. Countervailing investigations shall be terminated immediately in cases where the amount of a subsidy is *de minimis* (the subsidy is less than 1 per cent *ad valorem*) or where the volume of subsidized imports, actual or potential, or the injury is negligible. Except under exceptional circumstances, investigations shall be concluded within one year after their initiation and in no case more than 18 months. All countervailing duties have to be terminated within 5 years of their imposition unless the authorities determine on the basis of a review that the expiry of the duty would be likely to lead to

continuation or recurrence of subsidization and injury. The agreement recognizes that subsidies may play an important role in economic development programmes of developing countries, and in the transformation of centrally-planned economies to market economies. Least-developed countries and developing countries that have less than \$1,000 per capita GNP are thus exempted from disciplines on prohibited export subsidies, and have a time-bound exemption from other prohibited subsidies. For other developing countries, the export subsidy prohibition would take effect 8 years after the entry into force of the agreement establishing the WTO, and they have a time-bound (though fewer years than for poorer developing countries) exemption from the other prohibited subsidies. Countervailing investigation of a product originating from a developing-country member would be terminated if the overall level of subsidies does not exceed 2 per cent (and from certain developing countries 3 per cent) of the value of the product, or if the volume of the subsidized imports represents less than 4 per cent of the total imports for the like product in the importing signatory. For countries in the process of transformation from a centrally-planned into a market economy, prohibited subsidies shall be phased out within a period of seven years from the date of entry into force of the agreement.

In anticipation of the negotiation of special rules in the *civil aircraft* sector, under the subsidies agreement, civil aircraft products are not subject to the presumption that *ad valorem* subsidization in excess of 5

per cent causes serious prejudice to the interests of other Members. In addition, the Agreement provides that where repayment of financing in the civil aircraft sector is dependent on the level of sales of a product and sales fall below expectations, this does not in itself give rise to such presumption of serious prejudice.

Agreement on Safeguards

Article XIX of the General Agreement allows a GATT member to take a “safeguard” action to protect a specific domestic industry from an unforeseen increase of imports of any product which is causing, or which is likely to cause, serious injury to the industry.

The agreement breaks major ground in establishing a prohibition against so-called “grey area” measures, and in setting a “sunset clause” on all safeguard actions. The agreement stipulates that a member shall not seek, take or maintain any voluntary export restraints, orderly marketing arrangements or any other similar measures on the export or the import side. Any such measure in effect at the time of entry into force of the agreement would be brought into conformity with this agreement, or would have to be phased out within four years after the entry into force of the agreement establishing the WTO. An exception could be made for one specific measure for each importing member, subject to mutual agreement with the directly concerned member, where the phase-out date would be 31 December 1999.

All existing safeguard measures taken under Article XIX of the General Agreement 1947 shall be terminated not later than eight years after the date on which they were first applied or five years after the date of entry into force of the agreement establishing the WTO, whichever comes latter.

The agreement sets out requirements for safeguard investigation which include public notice for hearings and other appropriate means for interested parties to present evidence, including on whether a measure would be in the public interest. In the event of critical circumstances, a provisional safeguard measure may be imposed based upon a preliminary determination of serious injury. The duration of such a provisional measure would not exceed 200 days.

The agreement sets out the criteria for “serious injury” and the factors which must be considered in determining the impact of imports. The safeguard measure should be applied only to the extent necessary to prevent or remedy serious injury and to facilitate adjustment. Where quantitative restrictions are imposed, they normally should not reduce the quantities of imports below the annual average for the last three representative years for which statistics are available, unless clear justification is given that a different level is necessary to prevent or remedy serious injury.

In principle, safeguard measures have to be applied irrespective of source. In cases in which a quota is allocated among supplying countries,

the member applying restrictions may seek agreement with others. Members having a substantial interest in supplying the product concerned. Normally, allocation of shares would be on the basis of proportion of total quantity or value of the imported product over a previous representative period. However, it would be possible for the importing country to depart from this approach if it could demonstrate, in consultations under the auspices of the Safeguards Committee, that imports from certain contracting parties had increased disproportionately in relation to the total increase and that such a departure would be justified and equitable to all suppliers. The duration of the safeguard measure in this case cannot exceed four years.

The agreement lays down time limits for all safeguard measures. Generally, the duration of a measure should not exceed four years though this could be extended up to a maximum of eight years, subject to confirmation of continued necessity by the competent national authorities and if there is evidence that the industry is adjusting. Any measure imposed for a period greater than one year should be progressively liberalised during its lifetime. No safeguard measure could be applied again to a product that had been subject to such action for a period equal to the duration of the previous measure, subject to a non-application period of at least two years. A safeguard measure with a duration of 180 days or less may be applied again to the import of a product if at least one year had elapsed since the date of introduction

of the measure on that product, and if such a measure had not been applied on the same product more than twice in the five-year period immediately preceding the date of introduction of the measure.

The agreement envisages consultations on compensation for safeguard measures. Where consultations are not successful, the affected members may withdraw equivalent concessions or other obligations under GATT 1994. However, such action is not allowed for the first three years of the safeguard measure if it conforms to the provisions of the agreement, and is taken as a result of an absolute increase in imports. Safeguard measures would not be applicable to a product from a developing country member, if the share of the developing country member in the imports of the product concerned does not exceed 3 per cent, and that developing country members with less than 3 per cent import share collectively account for no more than 9 per cent of total imports of the product concerned. A developing country member has the right to extend the period of application of a safeguard measure for a period of up to two years beyond the normal maximum. It can also apply a safeguard measure again to a product that had been subject to such an action after a period equal to half of the duration of the previous measure, subject to a non-application period of at least two years. The agreement would establish a Safeguards Committee which would oversee the operation of its provisions and, in particular, be responsible for surveillance of its commitments.

General Agreement on Trade in Services

The Services Agreement which forms part of the Final Act rests on three pillars. The first is a Framework Agreement containing basic obligations which apply to all member countries. The second concerns national schedules of commitments containing specific further national commitments which will be the subject of a continuing process of liberalisation. The third is a number of annexes addressing the special situations of individual services sectors.

Part I of the basic agreement defines its scope - specifically, services supplied from the territory of one party to the territory of another; services supplied in the territory of one party to the consumers of any other (for example, tourism); services provided through the presence of service providing entities of one party in the territory of any other (for example, banking); and services provided by nationals of one party in the territory of any other (for example, construction projects or consultancies).

Part II sets out general obligations and disciplines. A basic most-favoured-nation (m.f.n.) obligation states that each party "shall accord immediately and unconditionally to services and service providers of any other Party, treatment no less favourable than that it accords to like services and service providers of any other country". However, it is recognized that m.f.n. treatment may not be possible for every service

activity and, therefore, it is envisaged that parties may indicate specific m.f.n. exemptions. Conditions for such exemptions are included as an annex and provide for reviews after five years and a normal limitation of 10 years on their duration.

Transparency requirements include publication of all relevant laws and regulations. Provisions to facilitate the increased participation of developing countries in world services trade envisage negotiated commitments on access to technology, improvements in access to distribution channels and information networks and the liberalisation of market access in sectors and modes of supply of export interest. The provisions covering economic integration are analogous to those in Article XXIV of GATT, requiring arrangements to have “substantial sectoral coverage” and to “provide for the absence or elimination of substantially all discrimination” between the parties.

Since domestic regulations, not border measures, provide the most significant influence on services trade, provisions spell out that all such measures of general application should be administered in a reasonable, objective and impartial manner. There would be a requirement that parties establish the means for prompt reviews of administrative decisions relating to the supply of services.

The agreement contains obligations with respect to recognition requirements (educational background, for instance) for the purpose of

securing authorizations, licenses or certification in the services area. It encourages recognition requirements achieved through harmonization and internationally-agreed criteria. Further provisions state that parties are required to ensure that monopolies and exclusive service providers do not abuse their positions. Restrictive business practices should be subject to consultations between parties with a view to their elimination. While parties are normally obliged not to restrict international transfers and payments for current transactions relating to commitments under the agreement, there are provisions allowing limited restrictions in the event of balance-of-payments difficulties. However, where such restrictions are imposed they would be subject to conditions; including that they are non-discriminatory, that they avoid unnecessary commercial damage to other parties and that they are of a temporary nature. The agreement contains both general exceptions and security exceptions provisions which are similar to Articles XX and XXI of the GATT. It also envisages negotiations with a view to the development of disciplines on trade-distorting subsidies in the services area.

Part III contains provisions on market access and national treatment which would not be general obligations but would be commitments made in national schedules. Thus, in the case of market access, each party “shall accord services and service providers of other Parties treatment no less favourable than that provided for under the terms, limitations and conditions agreed and specified in its schedule”. The intention of

the market-access provision is to progressively eliminate the following types of measures: limitations on numbers of service providers, on the total value of service transactions or on the total number of service operations or people employed. Equally, restrictions on the kind of legal entity or joint venture through which a service is provided or any foreign capital limitations relating to maximum levels of foreign participation are to be progressively eliminated.

The national-treatment provision contains the obligation to treat foreign service suppliers and domestic service suppliers in the same manner. However, it does provide the possibility of different treatment being accorded the service providers of other parties to that accorded to domestic service providers. However, in such cases the conditions of competition should not, as a result, be modified in favour of the domestic service providers.

Part IV of the agreement establishes the basis for progressive liberalisation in the services area through successive rounds of negotiations and the development of national schedules. It also permits, after a period of three years, parties to withdraw or modify commitments made in their schedules. Where commitments are modified or withdrawn, negotiations should be undertaken with interested parties to agree on compensatory adjustments. Where agreement cannot be reached, compensation would be decided by arbitration. Part V of the agreement contains institutional provisions, including consultation and dispute

settlement and the establishment of a Council on Services. The responsibilities of the Council are set out in a Ministerial Decision.

The first of the annexes to the agreement concerns the movement of labour. It permits parties to negotiate specific commitments applying to the movement of people providing services under the agreement. It requires that people covered by a specific commitment shall be allowed to provide the service in accordance with the terms of the commitment. Nevertheless, the agreement would not apply to measures affecting employment, citizenship, residence or employment on a permanent basis. The annex on financial services (largely banking and insurance) lays down the right of parties, notwithstanding other provisions, to take prudential measures, including for the protection of investors, deposit holders and policy holders, and to ensure the integrity and stability of the financial system. However, a further understanding on financial services would allow those participants who choose to do so to undertake commitments on financial services through a different method. With respect to market access, the understanding contains more detailed obligations on, among other things, monopoly rights, cross-border trade (certain insurance and reinsurance policy writing as well as financial data processing and transfer), the right to establish or expand a commercial presence, and the temporary entry of personnel. The provisions on national treatment refer explicitly to access to payments and clearing systems operated by public entities and to official funding

and refinancing facilities. They also relate to membership of, or participation in, self-regulatory bodies, securities or futures exchanges and clearing agencies.

The annex on telecommunications relates to measures which affect access to and use of public telecommunications services and networks. In particular, it requires that such access be accorded to another party, on reasonable and non-discriminatory terms, to permit the supply of a service included in its schedule. Conditions attached to the use of public networks should be no more than is necessary to safeguard the public service responsibilities of their operators, to protect the technical integrity of the network and to ensure that foreign service suppliers do not supply services unless permitted to do so through a specific commitment. The annex also encourages technical cooperation to assist developing countries in the strengthening of their own domestic telecommunications sectors. The annex on air-transport services excludes from the agreement's coverage traffic rights (largely bilateral air-service agreements conferring landing rights) and directly related activities which might affect the negotiation of traffic rights. Nevertheless, the annex, in its current form, also states that the agreement should apply to aircraft repair and maintenance services, the marketing of air-transport services and computer-reservation services. The operation of the annex would be reviewed at least every five years.

In the final days of the services negotiations, three Decisions were taken - on Financial Services, Professional Services and the Movement of Natural Persons. The Decision on Financial Services confirmed that commitments in this sector would be implemented on an MFN basis, and permits Members to revise and finalize their schedules of commitments and their MFN exemptions six months after the entry into force of the Agreement. Contrary to some media reports, the audio-visual and maritime sectors have not been removed from the scope of the GATS.

Agreement on Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods

The agreement recognises that widely varying standards in the protection and enforcement of intellectual property rights and the lack of a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods have been a growing source of tension in international economic relations. Rules and disciplines were needed to cope with these tensions. To that end, the agreement addresses the applicability of basic GATT principles and those of relevant international intellectual property agreements; the provision of adequate intellectual property rights; the provision of effective enforcement measures for those rights; multilateral dispute settlement; and transitional arrangements.

Part I of the agreement sets out general provisions and basic principles, notably a national-treatment commitment under which the nationals of other parties must be given treatment no less favourable than that accorded to a party's own nationals with regard to the protection of intellectual property. It also contains a most-favoured-nation clause, a novelty in an international intellectual property agreement, under which any advantage a party gives to the nationals of another country must be extended immediately and unconditionally to the nationals of all other parties, even if such treatment is more favourable than that which it gives to its own nationals.

Part II addresses each intellectual property right in succession. With respect to copyright, parties are required to comply with the substantive provisions of the Berne Convention for the protection of literary and artistic works, in its latest version (Paris 1971), though they will not be obliged to protect moral rights as stipulated in Article 6bis of that Convention. It ensures that computer programs will be protected as literary works under the Berne Convention and lays down on what basis data bases should be protected by copyright. Important additions to existing international rules in the area of copyright and related rights are the provisions on rental rights. The draft requires authors of computer programmes and producers of sound recordings to be given the right to authorize or prohibit the commercial rental of their works to the public. A similar exclusive right applies to films where commercial

rental has led to widespread copying which is materially impairing the right of reproduction. The draft also requires performers to be given protection from unauthorized recording and broadcast of live performances (bootlegging). The protection for performers and producers of sound recordings would be for no less than 50 years. Broadcasting organisations would have control over the use that can be made of broadcast signals without their authorization. This right would last for at least 20 years. With respect to trademarks and service marks, the agreement defines what types of signs must be eligible for protection as a trademark or service mark and what the minimum rights conferred on their owners must be. Marks that have become well-known in a particular country shall enjoy additional protection. In addition, the agreement lays down a number of obligations with regard to the use of trademarks and service marks, their term of protection, and their licensing or assignment. For example, requirements that foreign marks be used in conjunction with local marks would, as a general rule, be prohibited.

In respect of geographical indications, the agreement lays down that all parties must provide means to prevent the use of any indication which misleads the consumer as to the origin of goods, and any use which would constitute an act of unfair competition. A higher level of protection is provided for geographical indications for wines and spirits, which are protected even where there is no danger of the public's being

misled as to the true origin. Exceptions are allowed for names that have already become generic terms, but any country using such an exception must be willing to negotiate with a view to protecting the geographical indications in question. Furthermore, provision is made for further negotiations to establish a multilateral system of notification and registration of geographical indications for wines. Industrial designs are also protected under the agreement for a period of 10 years. Owners of protected designs would be able to prevent the manufacture, sale or importation of articles bearing or embodying a design which is a copy of the protected design.

As regards patents, there is a general obligation to comply with the substantive provisions of the Paris Convention (1967). In addition, the agreement requires that 20-years patent protection be available for all inventions, whether of products or processes, in almost all fields of technology. Inventions may be excluded from patentability if their commercial exploitation is prohibited for reasons of public order or morality; otherwise, the permitted exclusions are for diagnostic, therapeutic and surgical methods, and for plants and (other than microorganisms) animals and essentially biological processes for the production of plants or animals (other than microbiological processes). Plant varieties, however, must be protectable either by patents or by a *sui generis* system (such as the breeder's rights provided in a UPOV Convention). Detailed conditions are laid down for compulsory licensing

or governmental use of patents without the authorization of the patent owner. Rights conferred in respect of patents for processes must extend to the products directly obtained by the process; under certain conditions alleged infringers may be ordered by a court to prove that they have not used the patented process.

With respect to the protection of layout designs of integrated circuits, the agreement requires parties to provide protection on the basis of the Washington Treaty on Intellectual Property in Respect of Integrated Circuits which was opened for signature in May 1989, but with a number of additions: protection must be available for a minimum period of 10 years; the rights must extend to articles incorporating infringing layout designs; innocent infringers must be allowed to use or sell stock in hand or ordered before learning of the infringement against a suitable royalty; and compulsory licensing and government use is only allowed under a number of strict conditions.

Trade secrets and know-how which have commercial value must be protected against breach of confidence and other acts contrary to honest commercial practices. Test data submitted to governments in order to obtain marketing approval for pharmaceutical or agricultural chemicals must also be protected against unfair commercial use.

The final section in this part of the agreement concerns anti-competitive practices in contractual licences. It provides for consultations

between governments where there is reason to believe that licensing practices or conditions pertaining to intellectual property rights constitute an abuse of these rights and have an adverse effect on competition. Remedies against such abuses must be consistent with the other provisions of the agreement.

Part III of the agreement sets out the obligations of member governments to provide procedures and remedies under their domestic law to ensure that intellectual property rights can be effectively enforced, by foreign right holders as well as by their own nationals. Procedures should permit effective action against infringement of intellectual property rights but should be fair and equitable, not unnecessarily complicated or costly, and should not entail unreasonable time-limits or unwarranted delays. They should allow for judicial review of final administrative decisions. There is no obligation to put in place a judicial system distinct from that for the enforcement of laws in general, nor to give priority to the enforcement of intellectual property rights in the allocation of resources or staff.

The civil and administrative procedures and remedies spelled out in the text include provisions on evidence of proof, injunctions, damages and other remedies which would include the right of judicial authorities to order the disposal or destruction of infringing goods. Judicial authorities must also have the authority to order prompt and effective provisional measures, in particular where any delay is likely to cause

irreparable harm to the right holder, or where evidence is likely to be destroyed. Further provisions relate to measures to be taken at the border for the suspension by customs authorities of release, into domestic circulation, of counterfeit and pirated goods. Finally, parties should provide for criminal procedures and penalties at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Remedies should include imprisonment and fines sufficient to act as a deterrent.

The agreement would establish a Council for Trade-Related Aspects of Intellectual Property Rights to monitor the operation of the agreement and governments' compliance with it. Dispute settlement would take place under the integrated GATT dispute-settlement procedures as revised in the Uruguay Round.

With respect to the implementation of the agreement, it envisages a one-year transition period for developed countries to bring their legislation and practices into conformity. Developing countries and countries in the process of transformation from a centrally-planned into a market economy would have a five-year transition period, and least-developed countries 11 years. Developing countries which do not at present provide product patent protection in an area of technology would have up to 10 years to introduce such protection. However, in the case of pharmaceutical and agricultural chemical products, they must accept the filing of patent applications from the beginning of the transitional

period. Though the patent need not be granted until the end of this period, the novelty of the invention is preserved as of the date of filing the application. If authorization for the marketing of the relevant pharmaceutical or agricultural chemical is obtained during the transitional period, the developing country concerned must offer an exclusive marketing right for the product for five years, or until a product patent is granted, whichever is shorter.

Subject to certain exceptions, the general rule is that the obligations in the agreement would apply to existing intellectual property rights as well as to new ones.

Understanding on Rules and Procedures Governing the Settlement of Disputes

The dispute settlement system of the GATT is generally considered to be one of the cornerstones of the multilateral trade order. The system has already been strengthened and streamlined as a result of reforms agreed following the Mid-Term Review Ministerial Meeting held in Montreal in December 1988. Disputes currently being dealt with by the Council are subject to these new rules, which include greater automaticity in decisions on the establishment, terms of reference and composition of panels, such that these decisions are no longer dependent upon the consent of the parties to a dispute. The Uruguay Round Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU)

will further strengthen the existing system significantly, extending the greater automaticity agreed in the Mid-Term Review to the adoption of the panels' and a new Appellate Body's findings. Moreover, the DSU will establish an integrated system permitting WTO Members to base their claims on any of the multilateral trade agreements included in the Annexes to the Agreement establishing the WTO. For this purpose, a Dispute Settlement Body (DSB) will exercise the authority of the General Council and the Councils and committees of the covered agreements.

The DSU emphasizes the importance of consultations in securing dispute resolution, requiring a Member to enter into consultations within 30 days of a request for consultations from another Member. If after 60 days from the request for consultations there is no settlement, the complaining party may request the establishment of a panel. Where consultations are denied, the complaining party may move directly to request a panel. The parties may voluntarily agree to follow alternative means of dispute settlement, including good offices, conciliation, mediation and arbitration.

Where a dispute is not settled through consultations, the DSU requires the establishment of a panel, at the latest, at the meeting of the DSB following that at which a request is made, unless the DSB decides by consensus against establishment. The DSU also sets out specific rules and deadlines for deciding the terms of reference and composition of panels. Standard terms of reference will apply unless

the parties agree to special terms within 20 days of the panel's establishment. And where the parties do not agree on the composition of the panel within the same 20 days, this can be decided by the Director-General. Panels normally consist of three persons of appropriate background and experience from countries not party to the dispute. The Secretariat will maintain a list of experts satisfying the criteria.

Panel procedures are set out in detail in the DSU. It is envisaged that a panel will normally complete its work within six months or, in cases of urgency, within three months. Panel reports may be considered by the DSB for adoption 20 days after they are issued to Members. Within 60 days of their issuance, they will be adopted, unless the DSB decides by consensus not to adopt the report or one of the parties notifies the DSB of its intention to appeal.

The concept of appellate review is an important new feature of the DSU. An Appellate Body will be established, composed of seven members, three of whom will serve on any one case. An appeal will be limited to issues of law covered in the panel report and legal interpretations developed by the panel. Appellate proceedings shall not exceed 60 days from the date a party formally notifies its decision to appeal. The resulting report shall be adopted by the DSB and unconditionally accepted by the parties within 30 days following its issuance to Members, unless the DSB decides by consensus against its adoption.

Once the panel report or the Appellate Body report is adopted, the party concerned will have to notify its intentions with respect to implementation of adopted recommendations. If it is impracticable to comply immediately, the party concerned shall be given a reasonable period of time, the latter to be decided either by agreement of the parties and approval by the DSB within 45 days of adoption of the report or through arbitration within 90 days of adoption. In any event, the DSB will keep the implementation under regular surveillance until the issue is resolved.

Further provisions set out rules for compensation or the suspension of concessions in the event of non-implementation. Within a specified time-frame, parties can enter into negotiations to agree on mutually acceptable compensation. Where this has not been agreed, a party to the dispute may request authorization of the DSB to suspend concessions or other obligations to the other party concerned. The DSB will grant such authorization within 30 days of the expiry of the agreed time-frame for implementation. Disagreements over the proposed level of suspension may be referred to arbitration. In principle, concessions should be suspended in the same sector as that in issue in the panel case. If this is not practicable or effective, the suspension can be made in a different sector of the same agreement. In turn, if this is not effective or practicable and if the circumstances are serious enough, the suspension of concessions may be made under another agreement.

One of the central provisions of the DSU reaffirms that Members shall not themselves make determinations of violations or suspend concessions, but shall make use of the dispute settlement rules and procedures of the DSU. The DSU contains a number of provisions taking into account the specific interests of the developing and the least-developed countries. It also provides some special rules for the resolution of disputes which do not involve a violation of obligations under a covered agreement but where a Member believes nevertheless that benefits are being nullified or impaired. Special decisions to be adopted by Ministers in 1994 foresee that the Montreal Dispute Settlement Rules which would otherwise have expired at the time of the April 1994 meeting are extended until the entry into force of the WTO. Another decision foresees that the new rules and procedures will be reviewed within four years after the entry into force of the WTO.

Trade Policy Review Mechanism

An agreement confirms the Trade Policy Review Mechanism, introduced at the time of the Mid-term Review, and encourages greater transparency in national trade policy-making. A further Ministerial decision reforms the notification requirements and procedures generally.

Decision on achieving greater coherence in global economic policy-making

This will set out concepts and proposals with respect to achieving

greater coherence in global economic policy-making. Among other things, the text notes that greater exchange rate stability based on more orderly underlying economic and financial conditions should contribute to “the expansion of trade, sustainable growth and development, and the timely correction of external imbalances”. It recognizes that while difficulties whose origins lie outside the trade field cannot be redressed through measures taken in the trade field alone, there are nevertheless interlinkages between the different aspects of economic policy. Therefore, WTO is called upon to develop its cooperation with the international organisations responsible for monetary and financial matters. In particular, the Director-General of WTO is called upon to review, with his opposite numbers in the World Bank and the International Monetary Fund, the implications of WTO’s future responsibilities for its cooperation with the Bretton Woods institutions.

Government Procurement

The Final Act contains an agreement related to accession procedures to the Government Procurement Agreement which is designed to facilitate the membership of developing countries. It envisages consultations between the existing members and applicant governments. These would be followed by the establishment of accession working parties to examine the offers made by applicant countries (in other words, the public entities whose procurement will be opened up to international competition) as well as the export opportunities for the

applicant country in the markets of existing signatories. This agreement should be distinguished from the new Agreement on Government Procurement².

Uruguay Round Benefits to the United States

The results of the Uruguay Round shows the following major benefits for US exporters and US economic growth.

- There was total elimination of foreign tariffs imposed on US goods by such major markets like the European Union, Japan, Canada, Australia, New Zealand, Korea, Hong Kong, and Singapore in pharmaceuticals; medical equipment; construction equipment; agricultural equipment; steel, beer; paper, pulp, and printed matter; and toys sectors. The US industry has gained much because of low tariffs in these sectors.
- Deep cuts in other foreign tariffs affecting most US exports- averaging an across- the- board $\frac{1}{3}$ cut. The important gains include 50-100 percent cuts on electronic items such as computer parts and semiconductors; and harmonization of tariffs at low levels for chemicals.
- A huge reduction in paperwork costs is a boon to smaller exporters. Simplification, harmonization of customs procedures and licensing will slash costs of processing export orders and will raise the profit of US industries.

- More open market access to rapidly - growing developing countries markets such as Korea, Malaysia, Thailand, Argentina, Brazil, etc. would help in the economic growth of these countries.
- Stronger intellectual property protection is given for US patents, copyrights, trademarks, industrial designs, and trade secrets. The US trading partners-especially developing countries must sharply upgrade protection of intellectual property which would help in reducing piracy of US designs, chemical formulas, etc.
- The strong antidumping and countervailing duty rules of the Uruguay Round provide fair and predictable rules which would help in balancing the interest of US industries subject to foreign anti-dumping and countervailing duty investigations.
- The Uruguay Round's agreements explicitly recognises the right of the United States and other signatories to establish appropriate health, safety and environmental regulations as per standards required in United States. There is no obligation for the United States to reduce or 'harmonize' its health or environmental standards to a lower international level³.

Uruguay Round and Developing Countries

Uruguay Round results may hurt some developing countries who are large importers of food. There is the possibility that the prices of most agricultural commodities, such as wheat, rice, meat, dairy products

and sugar would rise in the range of 10 percent to 15 percent by the year 2005. During 1991-94 food and agricultural raw material prices, had gone up on an average by 5 percent and 11 percent respectively. In spite of some losses on increased food prices and erosion of preferential margins. The Uruguay Round would create new opportunities for growth and export of the sectors which are critical to developing countries⁴.

In case of agriculture only rich and united farmers enjoy the benefits of the Uruguay Round because they get favourable prices of their products through free access to developed markets. Consumers are the larger sufferer as they can't afford high prices of agricultural products. Developing countries have to make efforts to change and adopt a domestic legislation in relation to new areas like services, intellectual property rights, etc. under Uruguay Round.

The forthcoming chapter is devoted to a discussion on the "World Trade Organisation", (successor of GATT). This chapter analysis the detailed study of WTO.

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CHAPTER-5

WORLD TRADE ORGANISATION (WTO)

The forgoing chapter was devoted to a discussion of the Uruguay Round of negotiations culminating in the outcome of a number of agreements on important tariffs and trade issues. The Uruguay Round also paved the way for the birth of the WTO which came into existence on 1 January, 1995.

The present chapter presents a detailed description of the WTO, the conferences held under its auspices, the agreements reached through negotiations in the conferences. It also analyse the implementation aspect of agreement and the role played by WTO in facilitating the global trade.

Genesis

After the a series of meetings of the Uruguay Round of Multilateral Trade Negotiations, a Trade Negotiation Committee meeting of ministerial level was held at Marrakesh (the capital of Morocco) on April 15, 1994. The meeting was attended by representatives of 124 member countries. The committee resolved to create the World Trade Organisation to take over the functioning of GATT and to act as a permanent watchdog of international trade. Thus the World Trade Organisation (WTO) came into being on January 1st, 1995 as the only international body which now deals with the rules of trade between

nations. The WTO is the legal and institutional foundation of the multilateral trading system. Its headquarter is located in Geneva, Switzerland. It provides the principal contractual obligations which determinates how governments frame and implement domestic trade legislations and regulations. It is a platform on which trade relations among the participant countries are to evolve through collective bargainings, debates, negotiations and adjudications. In the beginning, GATT and WTO coexisted because all countries were not able to ratify the WTO. Therefore, it was dedicted that WTO will continue side by side for a year. But after one year, GATT ceased to exist and WTO was became more permanent and legal organisation. It has more authority to settle the dispute among partners and will serve better with IMF and IBRD to solve the disputes and facilitate and control better trade relations. It is a legal institution therefore its rules are legally bindings and impose legal obligations to the member states. Thus WTO is supra-national institution. Further it is an inter-governmental organisation in which decisions are taken by consensus of national government through negotiations and dialogue. Its primary objectives are to provide a free and fair flow of international trade for raising the standard of living, full employment, balanced global development and maintain and protect the global environment and optimum utilisation of world's resources. In other words it aims at creating a liberal and open trading system under which the business enterprises of member countries can have trade relations with each other under conditions of fair and undistorted

competition. The agreement shows that the member countries can not restrict imports between countries without levy of tariffs at the falling rates and not through quantitative restrictions. Therefore, it is mandatory under WTO agreement for member countries to remove (phase out) quantitative restrictions on imports or exports within agreed time to facilitate fair and transparent trade among member countries. The WTO trade include trade of goods, services and ideas to ensure efficient utilization of global resources.

The WTO facilitates the implementation and operation of all the agreements and legal instruments negotiated in connection with the Uruguay Round including the Plurilateral Trade Agreements (trade in civil aircraft, government procurements, trade in dairy products and bovine meat). It also deals with the monitoring of trade policy, dispute settlement, protection of environment and to implement all those agreements which made under the umbrella of the GATT, Agreement on GATS, TRIPs, TRIMs and plurilateral agreements.

Objectives of the WTO

The objectives and purposes are given in a nutshell, these are:

- ◆ The WTO reduces tariff barriers and other obstacles to trade.
- ◆ It eliminates discriminatory treatment in international trade relations.

- ◆ It facilitates higher standards of living, full employment, expansion of production and trade, raising the real income of the member countries.
- ◆ WTO recognises the need of positive efforts to ensure the developing countries and especially the least developed countries to secure a better share of the growth in international trade.
- ◆ It facilitates the optimal utilisation of the world's resources for sustainable development.
- ◆ It promotes an integrated, more viable and durable trading system with all resolutions of the Uruguay Round multilateral trade negotiations.
- ◆ It resolves the trade disputes between member countries¹.

The Guiding Principles of WTO

The guiding principles of WTO had established from the establishment of GATT whose aim was to ensure liberal and open trade environment among participants and some other are as follows:

- (i) Though WTO has liberal policy in trade but allow to domestic industries to protect themselves against foreign competition through tariff barriers.
- (ii) Member countries should reduce tariffs and eliminate non-tariff barriers specified in the respective national schedules.

- (iii) Most favoured nations treatment be given to member countries i.e., if any concession or benefit is given by one member of WTO to another member, it must be offered to all members.
- (iv) It prevents discriminations among imported goods (goods originating from different countries) and domestic goods. Both goods should be equally treated.
- (v) It provides more beneficial treatment for less developed countries by providing special treatment and greater flexibility².

Functions of World Trade Organisation

Efforts have been made to widen the area of operation of WTO to facilitate smooth integration of world economies and to ensure that the gains of foreign trade are shared by the developed as well as the developing and even less developed countries. The WTO is embodied with the following types of functions:

- The WTO facilitates the implementation, administration, operation and enhancement of objectives of this agreement and of the Multilateral Trade Agreements. It also provides the framework for implementation and administration of the Plurilateral Trade Agreements.
- It provides a forum for multilateral trade negotiations and provides a framework for the proper implementation of the results of these negotiations as may be decided by the Ministerial Conference.

- It also lays down the code of conduct for reducing tariffs and other obstacles to trade.
- The WTO administers the Understanding on Rules and Procedures Governing the Settlement of Disputes.
- The WTO also reviews and administers the Trade Policy Review Mechanism (TPRM).
- For achieving greater coherence in global economic policy-making, the WTO shall cooperate with the International Monetary Fund and with the International Bank for Reconstruction and Development and its affiliated agencies³.

Membership for Countries to Join the WTO and Withdrawal

The majority of the GATT contracting parties have become the members of the WTO. 124 countries signed the Marrakesh Agreement and signed the Final Act of Uruguay Round in 1994 to become the members of the WTO. The WTO currently has 144 member countries (as of 1 January, 2002) including India, with 31 observer countries. The observer countries are those which have applied to join the WTO except the Vatican, Ethiopia, Cape Verde and Bhutan. The WTO draws its strength from its members. The seven observer international organisations are the United Nations, United Nations Conference on Trade and Development, International Monetary Fund, World Bank, Food and Agricultural Organisation, World Intellectual Property Organisation

and Organisation for Economic Cooperation and Development. These organisations act as advisory bodies to the WTO to achieve its primary objectives of smooth flow in international trade.

The countries which were not the member of GATT and they want to sign the Final Report of Uruguay Round, they had to negotiate their accession to GATT before signing of Final Act. But the accession for these new members is not definite, it requires two-third majority of all WTO members.

Until the entry into force of WTO agreement, the text of the Agreements like Multilateral Trade Agreements and Plurilateral Trade Agreements were deposited with the Director General to the Contracting parties of GATT 1947. The Director General promptly furnished a certified true copy of this Agreement and Multilateral Trade Agreements and had given a notification of acceptance of these Agreements to each government that this Agreement had been accepted. After entry into force of WTO these Agreements shall be deposited with the Director General of WTO.

Any member may withdraw from WTO Agreement or both (from WTO Agreement as well as Multilateral Trade Agreements). This will take effect after the expiration of six months from the date on which a written notice of withdrawal is received by the Director General of the WTO. Withdrawal from Plurilateral Trade Agreement shall be governed by the provision of that Agreement⁴.

Decision Process at WTO

Unlike GATT where decisions were made on voting basis, the decisions at WTO are taken by developing consensus. This procedure ensures that the interests of all the contracting members are properly considered. If a decision cannot be reached by consensus, the WTO Agreement allows for voting. In these circumstances, decisions are taken by a majority of the votes cast and on the basis of "one country, one vote" The Ministerial Conference and the General Council have the exclusive authority to adopt interpretations of the Agreement.

There are four specific voting situations envisaged in the WTO Agreement. First, a majority of three quarter of WTO members can vote to adopt an interpretation of any of the multilateral trade agreements. Second, by the three quarter (3/4) majority, the Ministerial Conference may decides to waive or impose obligations on a particular member by a multilateral agreement. A request for a waiver concerning this agreement shall be submitted to the Ministerial Conference for persuasion to the practice of decision making by consensus within 90 days. If consensus is not reached during this period, any decision to grant a waiver shall be taken by three fourth of the Members. Third, any member of the WTO may submit a proposal to amend the provisions of multilateral agreements to the Ministerial Conference and the General Council. The Agreements can be adopted through approval either by all members or by two third majority depending on the nature of the

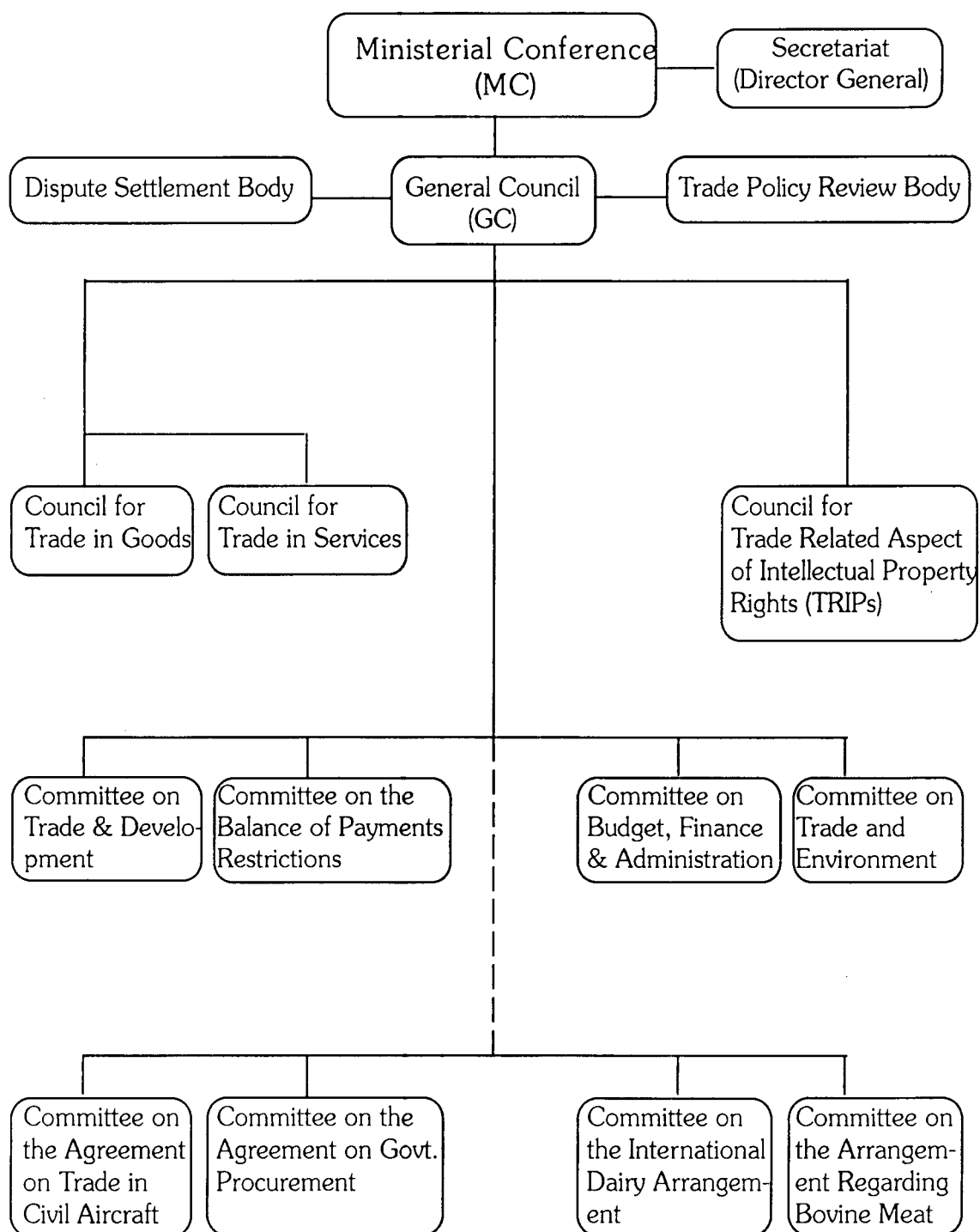
provision concerned. Finally, a decision to admit a new member is taken by a two third majority in the Ministerial Conference⁵.

Structure of the World Trade Organisation

The WTO has a number of constituents including Ministerial Conference, General Council. The Secretariat, Council for Trade and Services, Council for Trade in Goods, Council for TRIPs, various committees on operational division, etc. The organisational structure of the WTO is shown in the following chart.

CHART-1

The WTO Structure



Source: Business America, January 1995, 7

The committees in plurilateral trade agreements do not report to General Council, but they required to keep informed to General Council about their activities. However their members use the WTO Dispute Settlement Mechanism and are subject to the decisions of the Dispute Settlement Body. Now we will discuss these constituents one by one.

1. Ministerial Conference: The Ministerial Conference is the highest body and authority of WTO, composed of representatives of all member nations of WTO which meet at least once in every two years. This is responsible ultimately to carry out all the functions of the WTO either by itself directly or through any other authority to whom work is assigned. The Ministerial Conference has the authority to take the decisions on all matters under Multilateral Trade Agreements. It also have an authority to waive an obligation imposed on a particular member, entry of new members and functions relating to new members. The WTO has organised four Ministerial Conferences which are:

- i) Singapore Ministerial Conference (1996)
- ii) Geneva Ministerial Conference (1998)
- iii) Seattle Ministerial Conference (1999) and
- iv) Doha Ministerial Conference (2001)

2. General Council: The General Council is composed of all WTO members. It is required to report to the Ministerial Conference and conduct its work on behalf of the Ministerial Conference. It carry out day to day functions of the WTO. In the intervals between the meetings

of the Ministerial Conferences, its functions shall be conducted by the General Council. The General Conference meet as and when appropriate and required to discharge the responsibilities of the Dispute Settlement Body provided for in the Dispute Settlement Understanding. The Dispute Settlement Body may have its own chairman and shall establish such rules and procedures as it deems necessary for the fulfilment of those responsibilities.

The General Council shall convene as appropriate to discharge the responsibilities of the Trade Policy Review Body provided for in the Trade Policy Review Mechanism. The TPRB may have its own chairman and shall establish such rules and procedure as it deems necessary for the fulfilment of those responsibilities.

3. Councils: There are three councils - the council for Trade in Goods, Council for Trade in Services and the Council for Trade- Related Aspects of Intellectual Property Rights, which operate under the guidance of the General Council and ultimately operate under the Ministerial Conference. The Council for Trade in Goods is set up to oversee the functioning of the Multilateral Trade Agreement on Goods. The Council for Trade in Services look after the functioning of the General Agreement on Trade in Services. The Council for TRIPs deals with the functioning of the Agreement on Trade-Related Aspects of Intellectual Property Rights. These councils carry out the functions assigned to them by their respective agreements and by the General Council. They shall establish

their respective rules of procedure subjected to the approval of the General Council. The councils meet as and when necessary to carry out their functions. Membership in these councils is open to representatives of all member nations. These Councils shall establish their subsidiary bodies as required to carry out their specific responsibilities⁶.

4. Committees: Further there are four committees, i.e., the Committee on Trade and Development, the Committee on Balance-of-Payments Restrictions, the Committee on Budget, Finance and Administration and the Committee on Trade and Environment. These committees perform the functions assigned to them by WTO Agreement and by the General Council. The Committee on Trade and Development relates to the development programmes for developing countries and especially to the 'least developed' countries. The Committee on Balance of Payments Restrictions is concerned with the consultation between WTO members and countries which take trade restrictive-measures on the ground of Article XII and XVIII of GATT. The Committee on Budget, Finance and Administration is concerned with Budget, Finance, and Administration. The Committee on Trade and Environment relates to the relation of trade with environment.

In Addition to above committees there are four committees on Plurilateral Agreements. They establish their own management, these bodies are required to report to the General Council.

5. Director General: The Director General of the WTO is appointed by the Ministerial Conference for a period of four years. The Conference also setup the powers and duties of Director General. The Director General, who oversees all the operations alongwith four Deputy Director Generals. Each operational division of the WTO, like finance, research etc. is headed by one of the four deputies or is directly under the Director General, each division has a score of well-defined responsibilities and area of work. The WTO is an organisation based on consensus approved by governments. This principle is at the heart of its strength. Unlike voting, the combined energy is directed towards findout an agreement based on inclusiveness⁷.

6. The Secretariat: The WTO secretariat is located in Geneva. It has around 550 staff and is headed by Director-General, Mr. Supachai Panitchpakdi and four Deputy Directors. The members of the staff of secretariat are appointed by the Director General. Its responsibilities include servicing of WTO delegate bodies with respect to negotiations and the implementation of agreements. It has a particular responsibility to provide technical support to developing countries with special preference and assistance to LDCs. The WTO economists and statisticians provide trade performance and trade policy analysis while its legal staff assist in the settlement of dispute among the member countries and interpret the rules of WTO. Most of the work of the secretariats is concerned with negotiations about accession for new members and providing advice to governments considering membership⁸.

Budget and Contributions of WTO

The Director General present the annual budget estimates and financial statement of the World Trade Organisation to the Committee on Budget, Finance and Administration. The Committee on Budget, Finance and Administration review the annual budget estimates and make recommendations thereon to the General Council for final approval by the General Council. This Committee propose financial regulations to the General Council in relation to the scale of contributions in proportion to the expenses of World Trade Organisation among its Members and what measures to be taken in respect of members in arrears.

The General Council shall adopt the financial regulations and annual budget estimate by a two-third majority comprising more than half of the members of the World Trade Organisation. Each member shall contribute its share to the World Trade Organisation in the expenses of the World Trade Organisation in accordance with the financial regulations adopted by the General Council. These financial regulations and practices are based on financial regulations and practices of GATT 1947⁹.

The WTO budget is around US \$83 million (105 million Swiss Francs) with individual contributions calculated on the basis of shares in the total trade conducted by WTO members. A part of the WTO budget also goes to the International Trade Centre¹⁰.

Agreement/Codes

The WTO codes lies in the international instruments like the GATT 1994, the Multilateral Trade Agreement (MTA) and the Plurilateral Agreements. The WTO agreement is based on the results of the Uruguay Round of negotiations. Thus the WTO Agreement covers the following.

- Annex-1A: Multilateral Agreement on Trade in Goods
- Annex-1B: General Agreement on Trade in Services.
- Annex-1C: Agreement on TRIPs
- Annex-2: Rules and procedure regarding Dispute Settlement Understanding
- Annex-3: Trade Policy Review Mechanism
- Annex-4: Plurilateral Trade Agreements

These agreements have already been discussed in detail in the previous chapter.

Ministerial Conferences Under World Trade Organisation

The Ministerial Conference is the highest authority of WTO, which has the power as well as responsibility to assess, make, implement and review the trade related issues. The conduct of regular Ministerial Conferences at periodic intervals facilitates regular interaction and dispute settlement between the member nations. Till date four

conferences have taken place. A brief presentation of the deliberations of the four conferences is given below:

Singapore Ministerial Conference 1996

The first biennial meeting of the WTO was held in Singapore from 9-13 December 1996 with trade ministers from 127 countries. By this conference WTO came into action.

The Singapore Ministerial Conference considered some important issues raised by certain developed countries which include core labour standards, investment and competition, transparency in government procurement, trade facilitation etc. The complete text of the Ministerial Declaration adopted in the Singapore Ministerial Conference is given as under:

Singapore Ministerial Declaration

(Adopted on 13 December 1996)

1. The Ministerial Conference met in Singapore from 9 to 13 December 1996 for the first regular biennial meeting of the WTO at Ministerial level, as called for in Article IV of the Agreement establishing the World Trade Organisation, to further strengthen the WTO as a forum for negotiation, the continuing liberalisation of trade within a rule-based system, and the multilateral review and assessment of trade policies, and in particular to: assess the

implementation of their commitments under the WTO Agreements and decisions; review the ongoing negotiations and Work Programme; examine developments in world trade; and addressed the challenges of an evolving world economy.

Trade and Economic Growth

2. For nearly 50 years members have sought to fulfil, first in the GATT and now in the WTO, the objectives reflected in the preamble to the WTO Agreement of conducting the trade relations with a view to raising standards of living worldwide. The rise in global trade facilitated by trade liberalisation within the rules-based system has created more and better-paid jobs in many countries. The achievements of the WTO during its first two years bear witness to the ministers' desire to work together to make the most of the possibilities that the multilateral system provides to promote sustainable growth and development while contributing to a more stable and secure climate in international relations.

Integration of Economies; Opportunities and Challenges

3. The ministers believe that the scope and pace of change in the international economy, including the growth in trade in services and direct investment, and the increasing integration of economies offer unprecedented opportunities for improved growth, job creation, and development. These developments require adjustment

by economies and societies. They also pose challenges to the trading system.

Core Labour Standards

4. The Conference renew the commitment to the observance of internationally recognized core labour standards. The International Labour Organisation (ILO) is the competent body to set and deal with these standards, and it affirm full support for its work in promoting them. It believe that economic growth and development fostered by increased trade and further trade liberalisation contribute to the promotion of these standards. It reject the use of labour standards for protectionist purposes, and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question. In this regard, the Conference note that the WTO and ILO Secretariats will continue their existing collaboration.

Marginalization

5. The Conference committed itself to address the problem of marginalization for least-developed countries, and the risk of it for certain developing countries. The Conference also continue to work for greater coherence in international economic policy-making and for improved coordination between the WTO and other agencies in providing technical assistance.

Role of WTO

6. In pursuit of the goal of sustainable growth and development for the common good, the Ministerial Conference envisage a world where trade flows freely. To this end Ministerial Conference renew their commitment to:

a fair, equitable and more open rule-based system;

progressive liberalisation and elimination of tariff and non-tariff barriers to trade in goods;

progressive liberalisation of trade in services;

rejection of all forms of protectionism; elimination of discriminatory treatment in international trade relations;

integration of developing and least-developed countries and economies in transition into the multilateral system; and

the maximum possible level of transparency.

Regional Agreements

7. The Conference note that trade relations of WTO members are being increasingly influenced by regional trade agreements, which have expanded vastly in number, scope and coverage. Such initiatives can promote further liberalisation and may assist least-developed, developing and transition economies in integrating into

the international trading system. In this context, it noted the importance of existing regional arrangements involving developing and least-developed countries. The expansion and extent of regional trade agreements make it important to analyse whether the system of WTO rights and obligations as it relates to regional trade agreements needs to be further clarified. The conference reaffirm the primacy of the multilateral trading system, which includes a framework for the development of regional trade agreements, and it renews its commitment to ensure that regional trade agreements are complementary to it and consistent with its rules. In this regard, the Conference welcome the establishment and endorse the work of the new Committee on Regional Trade Agreements. It shall continue to work through progressive liberalisation in the WTO as the Conference committed in the WTO Agreement and Decisions adopted at Marrakesh, and in so doing facilitate mutually supportive processes of global and regional trade liberalisation.

Accessions

8. It is important that the 28 applicants are now negotiating accession, on completing the accession process by accepting the WTO rules and by offering meaningful market access commitments. The Ministerial Conference will work to bring these applicants expeditiously into the WTO system.

Dispute Settlement

9. The Dispute Settlement Understanding (DSU) offer means for the settlement of disputes among members that is unique in international agreements. The ministers consider its impartial and transparent operation to be of fundamental importance in assuring the resolution of trade disputes, and in fostering the implementation and application of the WTO agreements. The Understanding, with its predictable procedures, including the possibility of appeal of panel decisions to an Appellate Body and provisions on implementation of recommendations, has improved members' means of resolving their differences. They believe that the DSU has worked effectively during its first two years. They also note the role that several WTO bodies have played in helping to avoid disputes. The Ministers renew their determination to abide by the rules and procedures of the DSU and other WTO agreements in the conduct of their trade relations and the settlement of disputes. The ministers were confident that longer experience with the DSU, including the implementation of panel and appellate recommendations, will further enhance the effectiveness and credibility of the dispute settlement system.

Implementation

10. The Conference attached high priority to full and effective implementation of the WTO Agreement in a manner consistent

with the goal of trade liberalisation. Implementation thus far has been generally satisfactory, although some members have expressed dissatisfaction with certain aspects. It is clear that further effort in this area is required, as indicated by the relevant WTO bodies in their reports. Implementation of the specific commitments scheduled by members with respect to market access in industrial goods and trade in services appears to be proceeding smoothly. With respect to industrial market access, monitoring of implementation would be enhanced by the timely availability of trade and tariff data. Progress has been made also in advancing the WTO reform programme in agriculture, including in implementation of agreed market access concessions and domestic subsidy and export subsidy commitments.

Notifications and Legislation

11. Compliance with notification requirements has not been fully satisfactory. Because the WTO system relies on mutual monitoring as a means to assess implementation, those members which have not submitted notifications in a timely manner, or whose notifications are not complete, should renew their efforts. At the same time, the relevant bodies should take appropriate steps to promote full compliance while considering practical proposals for simplifying the notification process.

12. Where legislation is needed to implement WTO rules, members are mindful of their obligations to complete their domestic legislative process without further delay. Those members entitled to transition periods are urged to take steps as they deem necessary to ensure timely implementation of obligations as they come into effect. Each member should carefully review all its existing or proposed legislation, programmes and measures to ensure their full compatibility with the WTO obligations, and should carefully consider points made during review in the relevant WTO bodies regarding the WTO consistency of legislation, programmes and measures, and make appropriate changes where necessary.

Developing Countries

13. The integration of developing countries in the multilateral trading system is important for their economic development and for global trade expansion. In this connection, the ministers recall that the WTO Agreement embodies provisions conferring differential and more favourable treatment for developing countries, including special attention to the particular situation of least-developed countries. The ministers acknowledge the fact that developing country members have undertaken significant new commitments, both substantive and procedural, and they recognize the range and complexity of the efforts that they are making to comply with them. In order to assist them in these efforts, including those with respect

to notification and legislative requirements, the ministers will improve the availability of technical assistance under the agreed guidelines. The Ministers have also agreed to recommendations related to the decision they took at Marrakesh concerning the possible negative effects of the agricultural reform programme on least-developed and net food-importing developing countries.

Least-Developed Countries

14. The Conference remain concerned by the problems of the least-developed countries and have agreed to: a Plan of Action, including provision for taking positive measures, for example duty-free access, on an autonomous basis, aimed at improving their overall capacity to respond to the opportunities offered by the trading system; seek to give operational content to the Plan of Action, for example, by enhancing conditions for investment and providing predictable and favourable market access conditions for LDC's products, to foster the expansion and diversification of their exports to the markets of all developed countries; and in the case of relevant developing countries in the context of the Global System of Trade Preferences; and organize a meeting with UNCTAD and the International Trade Centre as soon as possible in 1997, with the participation of aid agencies, multilateral financial institutions and least-developed countries to foster an integrated approach to assisting these countries in enhancing their trading opportunities.

Textiles and Clothing

15. The ministers confirm their commitment to full and faithful implementation of the provisions of the Agreement on Textiles and Clothing (ATC). They stress the importance of the integration of textile products, as provided for in the ATC, into GATT 1994 under its strengthened rules and disciplines because of its systemic significance for the rule-based, non-discriminatory trading system and its contribution to the increase in export earnings of developing countries. The Conference attach importance to the implementation of this Agreement so as to ensure an effective transition to GATT 1994 by way of integration which is progressive in character. The use of safeguard measures in accordance with ATC provisions should be as sparing as possible. The Ministerial Conference note concerns regarding the use of other trade distortive measures and circumvention. It reiterate the importance of fully implementing the provisions of the ATC relating to small suppliers, new entrants and least-developed country members, as well as those relating to cotton-producing exporting members. It recognize the importance of wool products for some developing country members. The ministers reaffirm that as part of the integration process and with reference to the specific commitments undertaken by the members as a result of the Uruguay Round, all members shall take such action as may be necessary to abide by GATT 1994 rules and

disciplines so as to achieve improved market access for textiles and clothing products. The ministers agreed that, keeping in view its quasi-judicial nature, the Textiles Monitoring Body (TMB) should achieve transparency in providing rationale for its findings and recommendations. They expected that the TMB shall make findings and recommendations whenever called upon to do so under the Agreement. They emphasise the responsibility of the Goods Council in overseeing, in accordance with Article IV:5 of the WTO Agreement and Article 8 of the ATC, the functioning of the ATC, whose implementation is being supervised by the TMB.

Trade and Environment

16. The Committee on Trade and Environment has made an important contribution towards fulfilling its Work Programme. The Committee has been examining and will continue to examine, *inter alia*, the scope of the complementarities between trade liberalisation, economic development and environmental protection. Full implementation of the WTO Agreements will make an important contribution to achieving the objectives of sustainable development. The work of the Committee has underlined the importance of policy coordination at the national level in the area of trade and environment. In this connection, the work of the Committee has been enriched by the participation of environmental as well as trade experts from member governments and the further participation

of such experts in the Committee's deliberations would be welcomed. The breadth and complexity of the issues covered by the Committee's Work Programme shows that further work needs to be undertaken on all items of its agenda, as contained in its report. The Ministerial Conference intend to build on the work accomplished thus far, and therefore direct the Committee to carry out its work, reporting to the General Council, under its existing terms of reference.

Services Negotiations

17. The fulfilment of the objectives agreed at Marrakesh for negotiations on the improvement of market access in services - in financial services, movement of natural persons, maritime transport services and basic telecommunications has proved to be difficult. The results have been below expectations. In three areas, it has been necessary to prolong negotiations beyond the original deadlines. The ministers were determined to obtain a progressively higher level of liberalisation in services on a mutually advantageous basis with appropriate flexibility for individual developing country members, as envisaged in the Agreement, in the continuing negotiations and those scheduled to begin no later than 1 January 2000. In this context, they look forward to full MFN agreements based on improved market access commitments and national treatment. Accordingly, they will: achieve a successful conclusion to the

negotiations on basic telecommunications in February 1997; and resume financial services negotiations in April 1997 with the aim of achieving significantly improved market access commitments with a broader level of participation in the agreed time frame. With the same broad objectives in mind, the ministers also look forward to a successful conclusion of the negotiations on Maritime Transport Services in the next round of negotiations on services liberalisation. In professional services, they shall aim at completing the work on the accountancy sector by the end of 1997, and will continue to develop multilateral disciplines and guidelines. In this connection, they encourage the successful completion of international standards in the accountancy sector by IFAC, IASC, and IOSCO. With respect to GATS rules, they shall undertake the necessary work with a view to completing the negotiations on safeguards by the end of 1997. The Ministers also note that more analytical work will be needed on emergency safeguards measures, government procurement in services and subsidies.

ITA and Pharmaceuticals

18. Taking note that a number of members have agreed on a Declaration on Trade in Information Technology Products, the Ministerial Conference welcome the initiative taken by a number of WTO members and other states or separate customs territories which have applied to accede to the WTO, who have agreed to

tariff elimination for trade in information technology products on an MFN basis as well as the addition by a number of members of over 400 products to their lists of tariff-free products in pharmaceuticals.

Work Programme and Built-in Agenda

19. Bearing in mind that an important aspect of WTO activities is a continuous overseeing of the implementation of various agreements, a periodic examination and updating of the WTO Work Programme is a key to enable the WTO to fulfil its objectives. In this context, the ministers endorse the reports of the various WTO bodies. A major share of the Work Programme stems from the WTO Agreement and decisions adopted at Marrakesh. As part of these Agreements and decisions they agreed to a number of provisions calling for future negotiations on Agriculture, Services and aspects of TRIPS, or reviews and other work on Anti-Dumping, Customs Valuation, Dispute Settlement Understanding, Import Licensing, Preshipment Inspection, Rules of Origin, Sanitary and Phyto-Sanitary Measures, Safeguards, Subsidies and Countervailing Measures, Technical Barriers to Trade, Textiles and Clothing, Trade Policy Review Mechanism, Trade-Related Aspects of Intellectual Property Rights and Trade-Related Investment Measures. The Conference agreed to a process of analysis and exchange of information, where provided for in the conclusions and

recommendations of the relevant WTO bodies, on the Built-in Agenda issues, to allow members to better understand the issues involved and identify their interests before undertaking the agreed negotiations and reviews.

The Conference agreed that:

the time frames established in the Agreements will be respected in each case;

the work undertaken shall not prejudice the scope of future negotiations where such negotiations are called for; and

the work undertaken shall not prejudice the nature of the activity agreed upon (i.e. negotiation or review).

Investment and Competition

20. Having regard to the existing WTO provisions on matters related to investment and competition policy and the built-in agenda in these areas, including under the TRIMs Agreement, and on the understanding that the work undertaken shall not prejudice whether negotiations will be initiated in the future, the ministers also agreed to: establish a working group to examine the relationship between trade and investment; and establish a working group to study issues raised by members relating to the interaction between trade and competition policy, including anti-competitive practices, in order

to identify any area that may merit further consideration in the WTO framework.

These groups shall draw upon each other's work if necessary and also draw upon and be without prejudice to the work in UNCTAD and other appropriate intergovernmental fora. As regards UNCTAD, the Ministers welcomed the work under way as provided for in the Midrand Declaration and the contribution it can make to the understanding of issues. In the conduct of the work of the working groups, they encouraged cooperation with the above organisations to make the best use of available resources and to ensure that the development dimension is taken fully into account. The General Council keeps the work of each body under review, and determine after two years how the work of each body should proceed. It is clearly understood that future negotiations, if any, regarding multilateral disciplines in these areas, will take place only after an explicit consensus decision is taken among WTO Members regarding such negotiations.

Transparency in Government Procurement

21. The Ministers further agreed to:

establish a working group to conduct a study on transparency in government procurement practices, taking into account national policies, and, based on this study, to develop elements for inclusion in an appropriate agreement; and

direct the Council for Trade in Goods to undertake exploratory and analytical work, drawing on the work of other relevant international organisations, on the simplification of trade procedures in order to assess the scope for WTO rules in this area.

Trade Facilitation

22. In the organisation of the work referred to in paragraphs 20 and 21, careful attention will be given to minimizing the burdens on delegations, especially those with more limited resources, and to coordinating meetings with those of relevant UNCTAD bodies. The technical cooperation programme of the Secretariat will be available to developing and, in particular, least-developed country members to facilitate their participation in this work.
23. Noting that the 50th anniversary of the multilateral trading system will occur early in 1998, the Ministers instruct the General Council to consider how this historic event can best be commemorated.

Finally, the Ministers express their warmest thanks to the Chairman of the Ministerial Conference, Mr. Yeo Cheow Tong, for his personal contribution to the success of this Ministerial Conference. They also want to express their sincere gratitude to Prime Minister Goh Chok Tong, his colleagues in the Government of Singapore and the people of Singapore for their warm hospitality and the excellent organisation they have provided. The fact that this first Ministerial

Conference of the WTO has been held at Singapore is an additional manifestation of Singapore's commitment to an open world trading system¹¹.

Geneva Ministerial Conference (1998)

The Geneva Ministerial Conference is the second Ministerial Conference held at Geneva, Switzerland from 18 to 20 May 1998. This Ministerial Conference had also evolved a process and procedure for making recommendations for setting the agenda for Seattle meeting. The Geneva meeting identified number of issues related to implementation of existing agreements/negotiations made at Marrakesh and some other reviews.

Geneva Ministerial Declaration

(Adopted on 20 May 1998)

1. This Second Session of the Ministerial Conference of the WTO took place at a particularly significant time for the multilateral trading system, when the fiftieth anniversary of its establishment is being commemorated. On this occasion the Conference pay tribute to the system's important contribution over the past half-century to growth, employment and stability by promoting the liberalisation and expansion of trade and providing a framework for the conduct of international trade relations, in accordance with the objectives embodied in the Preambles to the General Agreement

on Tariffs and Trade and the World Trade Organisation Agreement. The ministers agreed, however, that more remains to be done to enable all the world's peoples to share fully and equitably in these achievements.

2. The ministers underline the crucial importance of the multilateral rule-based trading system. They reaffirm the commitments and assessments they made at Singapore, and they note that the work under existing agreements and decisions has resulted in significant new steps forward since they last met. In particular, they welcome the successful conclusion of the negotiations on basic telecommunications and financial services and the ministers take note of the implementation of the Information Technology Agreement. The ministers renew their commitment to achieve progressive liberalisation of trade in goods and services.
3. The fiftieth anniversary comes at a time when the economies of a number of WTO members were experiencing difficulties as a result of disturbances in financial markets. They took this opportunity to underline that keeping all markets open must be a key element in a durable solution to these difficulties. With this in mind, they reject the use of any protectionist measures and agree to work together in the WTO as in the IMF and the World Bank to improve the coherence of international economic policy-making with a view to maximizing the contribution that an open, rule-based trading system

can make to fostering stable growth for economies at all levels of development.

4. The ministers recognize the importance of enhancing public understanding of the benefits of the multilateral trading system in order to build support for it and agree to work towards this end. In this context they consider how to improve the transparency of WTO operations. The ministers also continue to improve their efforts towards the objectives of sustained economic growth and sustainable development.
5. The Ministers renew their commitment to ensuring that the benefits of the multilateral trading system are extended as widely as possible. They recognize the need for the system to make their own contribution in response to the particular trade interests and developmental needs of developing-country members. They welcome the work already underway in the Committee on Trade and Development for reviewing the application of special provisions in the Multilateral Trade Agreements and related Ministerial Decisions in favour of developing country members, and in particular the least-developed among them. The ministers agreed on the need for effective implementation of these special provisions.
6. The Ministerial Conference remain deeply concerned over the marginalization of least-developed countries and certain small economies, and recognize the urgent need to address this issue

which has been compounded by the chronic foreign debt problem facing many of them. In this context the ministers welcomed the initiatives taken by the WTO in cooperation with other agencies to implement in an integrated manner the Plan of Action for the least-developed countries which the ministers agreed at Singapore, especially through the High-Level Meeting on Least-Developed Countries held in Geneva in October 1997. They also welcome the report of the Director-General on the follow-up of this initiative, to which the ministers attach great importance. They commit themselves to continue to improve market access conditions for products exported by the least-developed countries on as broad and liberal a basis as possible. The ministers urge to implement the market-access commitments that they have undertaken at the High-Level Meeting.

7. The Conference welcomed the WTO members who have joined since they met in Singapore: Congo, Democratic Republic of Congo, Mongolia, Niger and Panama. It welcomed the progress made with 31 applicants negotiating their accession and renew resolution to ensure that the accession processes proceed as rapidly as possible. It recall that accession to the WTO requires full respect of WTO rules and disciplines as well as meaningful market access commitments on the part of acceding candidates.
8. Full and faithful implementation of the WTO Agreement and

Ministerial Decisions is imperative for the credibility of the multilateral trading system and indispensable for maintaining the momentum for expanding global trade, fostering job creation and raising standards of living in all parts of the world. When the ministers met at the Third Session they shall further pursue their evaluation of the implementation of individual agreements and the realization of their objectives. Such evaluation would cover, *inter alia*, the problems encountered in implementation and the consequent impact on the trade and development prospects of members. The ministers reaffirm their commitment to respect the existing schedules for reviews, negotiations and other work to which we have already agreed.

9. The Ministerial Conference recall that the Marrakesh Agreement Establishing the World Trade Organisation states that the WTO shall provide the forum for negotiations among its members concerning their multilateral trade relations in matters dealt with under the agreements in the Annexes to the Agreement, and that it may also provide a forum for further negotiations among its members concerning their multilateral trade relations, and a framework for the implementation of the results of such negotiations, as may be decided by the Ministerial Conference. In the light of paragraphs 1-8 above, the Conference decided that a process will be established under the direction of the General

Council to ensure full and faithful implementation of existing agreements, and to prepare for the Third Session of the Ministerial Conference. This process shall enable the General Council to submit recommendations regarding the WTO's work programme, including further liberalisation sufficiently broad-based to respond to the range of interests and concerns of all members, within the WTO framework, that enable the ministers to take decisions at the Third Session of the Ministerial Conference. In this regard, the General Council met in special session in September 1998 and periodically thereafter to ensure full and timely completion of its work, fully respecting the principle of decision-making by consensus. The General Council's work programme encompass the following:

- (a) recommendations concerning:
 - (i) the issues, including those brought forward by members, relating to implementation of existing agreements and decisions;
 - (ii) the negotiations already mandated at Marrakesh, to ensure that such negotiations begin on schedule;
 - (iii) future work already provided for under other existing agreements and decisions taken at Marrakesh;
- (b) recommendations concerning other possible future work on the basis of the work programme initiated at Singapore;

- (c) recommendations on the follow-up to the High-Level Meeting on Least-Developed Countries;
 - (d) recommendations arising from consideration of other matters proposed and agreed to by members concerning their multilateral trade relations.
10. The General Council also submit to the Third Session of the Ministerial Conference, on the basis of consensus, recommendations for decision concerning the further organisation and management of the work programme arising from the above, including the scope, structure and time-frames, that will ensure that the work programme is begun and concluded expeditiously.
11. The above work programme was aimed at achieving overall balance of interests of all members¹².

Seattle Ministerial Conference (1999)

The Seattle Ministerial Conference was the third Ministerial Conference of WTO held at Seattle, Washington, America from 30 November to 3 December, 1999 with 134 member countries. It began its four days session on major issues that will set the issues for global trade in new millennium. The Conference assumed important and attracted wide publicity because of the efforts by large number of countries to seek towards it and made efforts to find an endorsement

from the Conference for the launch of a comprehensive round of negotiations, covering a wide range of subjects, including proposals on agricultural products, liberalisation of trade, market access, services, TRIPs, TRIMs, QRs, subsidies, regimes on investment, competition policy, transparency in government procurement, trade facilitation, trade and labour standards and trade and environment. There was also endorsement of industrial tariff negotiations, strengthen the “coherence” between the working of WTO and other international organisations, introduced involvement of NGOs in the functioning of WTO’s Dispute Settlement Mechanism and extend the duty on Electronic Commerce agreed to at the Geneva Ministerial Conference (1998)¹³.

Issues under Seattle Ministerial Conference

Tariffs: Most of the member countries made commitment to reduce tariffs to the bound level by the respective time limits that exists in respect of non-agricultural and non-textile items and necessary action will be taken to fulfil these obligations and to this India was no exception.

TRIMs: Under TRIMs Agreement, developing countries have a transition period of five years upto 31 December, 1999 in which they can continue to maintain measures inconsistent with the Agreement provided these are duly notified.

TRIPs: A transition period of 5 years is available to all developing countries to give effect to the provisions of TRIPS Agreement The

countries that do not provide product patents in certain areas can delay the provisions of product patents for another five years. However, they have to provide exclusive marketing rights for products which obtain patents after 1.1.1995. As per Indian obligations under the WTO agreement, the Patent (Amendments) Act, 1999 was passed in March 1999 to provide for exclusive marketing rights.

QRs: The quantitative restrictions on imports maintained on balance of payment grounds were notified to WTO in 1997 for 2714 tariff lines at the eight digit level. The India and USA had agreed to bilateral settlement for a reasonable period of time upto 1.4.2001 within which India implement the ruling and recommendations of the Dispute Settlement Body to remove existing QRs. Thus the number of the tariff lines on which QRs exist had came down to 1429 at the 8 digit level¹⁴.

Agriculture: It needs special reference that the rules of WTO are being violated by the powerful industrial nations of the world that are refusing the market access for the products of the developing countries. Japan and 31 European Nations (EU) have heavily subsidised their agricultural products first by giving cheap inputs to their farmers and secondly the export of agricultural products is also subsidised. EU gives subsidy to the extent of 49 per cent. Besides this they are imposing sanitary and phyto-sanitary (SPS) measure which are also known as non-tariff barriers. Thousand, of tons of agricultural products exported by developing countries was rejected by industrial countries under this pretext.

As a member of WTO, India has implemented Agreement on Agriculture (AoA) which includes allowing greater market access, reducing import restrictions, lessening domestic support by government to domestic agricultural producers, reducing the export subsidies by the government to exporters of agricultural products, imposing a limits to public stock holding of food grains for food security and sparing use of sanitary and phyto-sanitary import barriers. Despite this (AoA), the developed countries are protectionist and continue to allocate quotas to certain favoured trade partners. For example EU is partial to its ex-colonies in Africa. This is the violation of the rule of MFN clause.

Textiles: Textile sector has been liberalised to a great extent. Foreign investment also welcomed. But the tariff peaks are higher in industrialised countries in textile sector, as compared to the other sectors of the economy. India launched Technological Upgradation Fund (TUF) to enable the industry to acquire modern sophisticated technology carrying out restructuring resulting into meeting the challenges from consumer driven integrated world market.

India proposed the formula of 'give and take' offers at WTO ministerial meeting at Seattle and gain greater market access for textile items in return for further opening up of textile imports.

India has also emphasised the necessity of operationalising the Special and Differential Treatment clause in the WTO Agreement and

has brought out the difficulties faced through the increase in anti-dumping and antisubsidy investigations in the areas where India and other developing countries have begun to acquire trade competitiveness. India also expressed concern regarding overloading the WTO's agenda, especially with non-trade related issues. India's proposals on implementation issues was jointly made with eleven other developing countries. India's agenda had been evolved in consultation with all concerned stake holders including industry, civil society, expert bodies, national level political parties, labour unions and Chief Ministers of states. For depth studies, the work assigned to premier research institutions on relevant issues. An Advisory Committee on International Trade, with representatives from industry, civil society, economists, other experts and concerned Ministries together had advised government on key issues.

The Indian delegation at Seattle reported that US was carefully using its civil society to push its own agenda. However, India did not like its civil society to participate in deliberation in the name of protecting the national interest. This is only because of that Indian politicians have not yet learnt to work with their civil society. The linkage of trade with environment and labour standards benefits the industrialised countries. The US President Bill Clinton was therefore keen to open the highly secretive WTO to NGO participation. Thus Indian manufacturers and producers must tighten their belt to meet the challenges arises from globalisation and dangers and threats from MNCs/TNCs.

The Indian government regularly opposed the participation of NGOs in UN discussion on environment in Seattle because it believed that NGOs are largely dominated by USA, EU and Japan and that favours the industrialised countries. India also opposed the non- trade issue like labour standards.

However, as no consensus-based conclusions could be reached on most of issues before Ministerial Conference and the work of the Ministerial Conference was suspended. The Director General of the WTO has been entrusted with the task of creating consensus in order that the Ministerial Conference can resume its work¹⁵.

The Seattle Conference was a complete failure in terms of taking any decision. However, being an event under the umbrella of the WTO, and efforts of certain developed countries were made to seek endorsement of expanded agenda for WTO, this conference still holds an important place in terms of historical developments under the WTO regime.

Doha Ministerial Conference (2001)

Since the establishment in 1995, WTO has assumed quite a bit of complicity, with several new issues and many developed countries were of the view that there should be a new round of negotiations with new issues (trade related and non-trade for countries like India). The new trade issues included further negotiations on industrial tariffs, government

procurement, electronic commerce, trade facilitation, information technological agreement- II- negotiation. The non-trade issues were trade and investment, trade and competition policy, trade and environment, trade and labour standards/ social clause, role of civil societies, etc¹⁶.

Thus the fourth WTO Ministerial Conference was held at Doha, Qatar from 9-14 November, 2001 to decide the work programme of WTO. Because of failure of third Ministerial Conference (Seattle, 1999) most of the developed countries expected expanded agenda for WTO. It was decided that WTO has significant agenda and India underline the need of implementing the issues of current agreement in a specified time before new issues of negotiations. The major decisions of this Conference were:

- The principles and objectives were set in Marrakesh Agreement to reject the use of protectionism will continue.
- The majority of members in WTO are developing countries, so they will take care of their needs and interests.
- The ministerial decisions strongly reaffirm to commitment to the objective of sustainable development.
- The ministerial declaration reaffirm the declaration regarding internationally recognised core labour standards made at Singapore Ministerial Conference¹⁷.

Doha Ministerial Declaration

(Adopted on 14 November 2001)

1. The multilateral trading system embodied in the World Trade Organisation has contributed significantly to economic growth, development and employment throughout the past fifty years. The Ministers were determined, particularly in the light of the global economic slowdown, to maintain the process of reform and liberalisation of trade policies, thus ensuring that the system plays its full part in promoting recovery, growth and development. The ministers therefore strongly reaffirm the principles and objectives set out in the Marrakesh Agreement Establishing the World Trade Organisation, and pledge to reject the use of protectionism.
2. International trade can play a major role in the promotion of economic development and the alleviation of poverty. The ministers recognize the need for all their peoples to benefit from the increased opportunities and welfare gains that the multilateral trading system generates. The majority of WTO members are developing countries. The ministers seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration. Recalling the Preamble to the Marrakesh Agreement, they shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development. In this context, enhanced market access,

balanced rules, and well targeted, sustainably financed technical assistance and capacity-building programmes have important roles to play.

3. The Ministerial Conference recognize the particular vulnerability of the least-developed countries and the special structural difficulties they face in the global economy. Conference committed to addressing the marginalization of least-developed countries in international trade and to improving their effective participation in the multilateral trading system. It recall the commitments made by ministers at its meetings in Marrakesh, Singapore and Geneva, and by the international community at the Third UN Conference on Least-Developed Countries in Brussels, to help least-developed countries secure beneficial and meaningful integration into the multilateral trading system and the global economy. The Conference determined that the WTO will play its part in building effectively on these commitments under the Work Programme.
4. The ministers stress their commitment to the WTO as the unique forum for global trade rule-making and liberalisation, while also recognizing that regional trade agreements can play an important role in promoting the liberalisation and expansion of trade and in fostering development.
5. The ministers were aware of the fact that the challenges member countries face in a rapidly changing international environment

cannot be addressed through measures taken in the trade field alone. They shall continue to work with the Bretton Woods institutions for greater coherence in global economic policy-making.

6. The ministers strongly reaffirm their commitment to the objective of sustainable development, as stated in the Preamble to the Marrakesh Agreement. They were convinced that the aims of upholding and safeguarding an open and non-discriminatory multilateral trading system, and acting for the protection of the environment and the promotion of sustainable development can and must be mutually supportive. They take note of the efforts by members to conduct national environmental assessments of trade policies on a voluntary basis. The ministers recognised that under WTO rules no country should be prevented from taking measures for the protection of human, animal or plant life or health, or of the environment at the levels it considers appropriate, subject to the requirement that they are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, and are otherwise in accordance with the provisions of the WTO Agreements. The Ministerial Conference welcome the WTO's continued cooperation with UNEP and other inter-governmental environmental organisations. The Ministerial Conference encouraged efforts to promote cooperation between the WTO and relevant international environmental and

developmental organisations, especially in the lead-up to the World Summit on Sustainable Development to be held in Johannesburg, South Africa, in September 2002.

7. The Ministerial Conference reaffirm the right of members under the General Agreement on Trade in Services to regulate, and to introduce new regulations on, the supply of services.
8. The ministers reaffirm their declaration made at the Singapore Ministerial Conference regarding internationally recognized core labour standards. They take note of work under way in the International Labour Organisation (ILO) on the social dimension of globalisation.
9. The ministers note with particular satisfaction that this conference has completed the WTO accession procedures for China and Chinese Taipei. The Ministers also welcome the accession as new members, since their last session, of Albania, Croatia, Georgia, Jordan, Lithuania, Moldova and Oman, and note the extensive market-access commitments already made by these countries on accession. These accessions will greatly strengthen the multilateral trading system, as will those of the 28 countries now negotiating their accession. The Ministers therefore attach great importance to concluding accession proceedings as quickly as possible. In particular, they are committed to accelerating the accession of least-developed countries.

10. Recognizing the challenges posed by an expanding WTO membership, the ministers confirm their collective responsibility to ensure internal transparency and the effective participation of all members. While emphasizing the intergovernmental character of the organisation, they were committed to making the WTO's operations more transparent, including through more effective and prompt dissemination of information, and to improve dialogue with the public. The ministers shall therefore at the national and multilateral levels continue to promote a better public understanding of the WTO and to communicate the benefits of a liberal, rules-based multilateral trading system.
11. In view of these considerations, the ~~th~~ ministers hereby agree to undertake the broad and balanced Work Programme set out below. This incorporates both an expanded negotiating agenda and other important decisions and activities necessary to address the challenges faced by the multilateral trading system.

WORK PROGRAMME

Implementation-Related Issues and Concerns

12. The ministers attach the utmost importance to the implementation-related issues and concerns raised by members and are determined to find appropriate solutions to them. In this connection, and having regard to the General Council Decisions of 3 May and 15 December

2000, they further adopt the Decision on Implementation-Related Issues and Concerns in document WT/MIN(01)/17 to address a number of implementation problems faced by members. They agreed that negotiations on outstanding implementation issues shall be an integral part of the Work Programme they are establishing, and that agreements reached at an early stage in these negotiations shall be treated in accordance with the provisions of paragraph 47 below. In this regard, the Ministers shall proceed as follows: (a) where they provide a specific negotiating mandate in this declaration, the relevant implementation issues shall be addressed under that mandate; (b) the other outstanding implementation issues shall be addressed as a matter of priority by the relevant WTO bodies, which shall report to the Trade Negotiations Committee, established under paragraph 46 below, by the end of 2002 for appropriate action.

Agriculture

13. The Ministerial Conference recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 members. It recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing

strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. The ministers reconfirm their commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations they commit themselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. They agreed that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their developmental needs, including food security and rural development. They took note of the non-trade concerns reflected in the negotiating proposals submitted by members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.

14. Modalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003. Participants shall submit their comprehensive draft schedules based on these modalities no later than the date of the

Fifth Session of the Ministerial Conference. The negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of conclusion of the negotiating agenda as a whole.

Services

15. The negotiations on trade in services shall be conducted with a view to promoting the economic growth of all trading partners and the development of developing and least-developed countries. The Ministerial Conference recognised the work already undertaken in the negotiations, initiated in January 2000 under Article XIX of the General Agreement on Trade in Services, and the large number of proposals submitted by members on a wide range of sectors and several horizontal issues, as well as on movement of natural persons. It reaffirm the Guidelines and Procedures for the Negotiations adopted by the Council for Trade in Services on 28 March 2001 as the basis for continuing the negotiations, with a view to achieving the objectives of the General Agreement on Trade in Services, as stipulated in the Preamble, Article IV and Article XIX of that Agreement. Participants shall submit initial requests for specific commitments by 30 June 2002 and initial offers by 31 March 2003.

Market Access for Non-agricultural Products

16. The ministers agreed to negotiations which shall aim, by modalities to be agreed, to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. Product coverage shall be comprehensive and without a prior exclusions. The negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments, in accordance with the relevant provisions of Article XXVIII bis of GATT 1994 and the provisions cited in paragraph 50 below. To this end, the modalities to be agreed will include appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in the negotiations.

Trade-related Aspects of Intellectual Property Rights

17. The ministers stressed on the importance they attached to implementation and interpretation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) in a manner supportive of public health, by promoting both access to existing medicines and research and development into new medicines and, in this connection, are adopting a separate declaration.

18. With a view to completing the work started in the Council for Trade-Related Aspects of Intellectual Property Rights (Council for TRIPS) on the implementation of Article 23.4, the ministers agreed to negotiate the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by the Fifth Session of the Ministerial Conference. They noted that issues related to the extension of the protection of geographical indications provided for in Article 23 to products other than wines and spirits will be addressed in the Council for TRIPS pursuant to paragraph 12 of this declaration.
19. The Ministerial Conference instruct the Council for TRIPS, in pursuing its work programme including under the review of Article 27.3(b), the review of the implementation of the TRIPS Agreement under Article 71.1 and the work foreseen pursuant to paragraph 12 of this declaration, to examine, inter alia, the relationship between the TRIPS Agreement and the Convention on Biological Diversity, the protection of traditional knowledge and folklore, and other relevant new developments raised by members pursuant to Article 71.1. In undertaking this work, the TRIPS Council shall be guided by the objectives and principles set out in Articles 7 and 8 of the TRIPS Agreement and shall take fully into account the development dimension.

Relationship between Trade and Investment

20. Recognizing the case for a multilateral framework to secure transparent, stable and predictable conditions for long-term cross-border investment, particularly foreign direct investment, that contribute to the expansion of trade, and the need for enhanced technical assistance and capacity-building in this area as referred to in paragraph 21, the Ministers agreed that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations.
21. The ministers recognise the needs of developing and least-developed countries for enhanced support for technical assistance and capacity building in this area, including policy analysis and development so that they may better evaluate the implications of closer multilateral cooperation for their development policies and objectives, and human and institutional developmental. To this end, the ministers shall work in cooperation with other relevant intergovernmental organisations, including UNCTAD, and through appropriate regional and bilateral channels, to provide strengthened and adequately resourced assistance to respond to these needs.
22. In the period until the Fifth Session, further work in the Working Group on the Relationship Between Trade and Investment will focus on the clarification of: scope and definition; transparency; non-

discrimination; modalities for pre-establishment commitments based on a GATS-type, positive list approach; development provisions; exceptions and balance-of-payments safeguards; consultation and the settlement of disputes between members. Any framework should reflect in a balanced manner the interests of home and host countries, and take due account of the development policies and objectives of host governments as well as their right to regulate in the public interest. The special development, trade and financial needs of developing and least-developed countries should be taken into account as an integral part of any framework, which should enable members to undertake obligations and commitments commensurate with their individual needs and circumstances. Due regard should be paid to other relevant WTO provisions. Account should be taken, as appropriate, of existing bilateral and regional arrangements on investment.

Interaction between Trade and Competition Policy

23. Recognizing the case for a multilateral framework to enhance the contribution of competition policy to international trade and development, and the need for enhanced technical assistance and capacity-building in this area as referred to in paragraph 24, the ministers agreed that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations.

24. In the period until the Fifth Session, further work in the Working Group on the Interaction between Trade and Competition Policy will focus on the clarification of: core principles, including transparency, non-discrimination and procedural fairness, and provisions on hardcore cartels; modalities for voluntary cooperation; and support for progressive reinforcement of competition institutions in developing countries through capacity building. Full account shall be taken of the needs of developing and least-developed country participants and appropriate flexibility provided to address them.

Transparency in Government Procurement

25. Recognizing the case for a multilateral agreement on transparency in government procurement and the need for enhanced technical assistance and capacity building in this area, the Ministers agreed that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations. These negotiations will build on the progress made in the Working Group on Transparency in Government Procurement by that time and take into account participants' development priorities, especially those of least-developed country participants. Negotiations shall be limited to the transparency aspects and therefore will not restrict the scope for countries to give preferences

to domestic supplies and suppliers. The ministers commit themselves to ensuring adequate technical assistance and support for capacity building both during the negotiations and after their conclusion.

Trade Facilitation

26. Recognizing the case for further expediting the movement, release and clearance of goods, including goods in transit, and the need for enhanced technical assistance and capacity building in this area, the ministers agreed that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations. In the period until the Fifth Session, the Council for Trade in Goods shall review and as appropriate, clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 and identify the trade facilitation needs and priorities of members, in particular developing and least-developed countries. They committed themselves to ensuring adequate technical assistance and support for capacity building in this area.

WTO Rules

27. In the light of experience and of the increasing application of these instruments by members, the ministers agreed to negotiations aimed at clarifying and improving disciplines under the Agreements on

Implementation of Article VI of the GATT 1994 and on Subsidies and Countervailing Measures, while preserving the basic concepts, principles and effectiveness of these Agreements and their instruments and objectives and taking into account the needs of developing and least-developed participants. In the initial phase of the negotiations, participants indicate the provisions, including disciplines on trade distorting practices, that they seek to clarify and improve in the subsequent phase. In the context of these negotiations, participants also aim to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries. They note that fisheries subsidies are also referred to in paragraph 31.

28. The ministers also agreed to negotiations aimed at clarifying and improving disciplines and procedures under the existing WTO provisions applying to regional trade agreements. The negotiations shall take into account the developmental aspects of regional trade agreements.

Dispute Settlement Understanding

29. The ministers agreed to negotiations on improvements and clarifications of the Dispute Settlement Understanding. The negotiations were based on the work done thus far as well as any additional proposals by members, and aim to agree on improvements and clarifications not later than May 2003, at which

time they will take steps to ensure that the results enter into force as soon as possible thereafter.

Trade and Environment

30. With a view to enhancing the mutual supportiveness of trade and environment, the ministers agreed to negotiations, without prejudging their outcome, on:

(i) the relationship between existing WTO rules and specific trade obligations set out in multilateral environmental agreements (MEAs).

The negotiations shall be limited in scope to the applicability of such existing WTO rules as among parties to the MEA in question.

The negotiations shall not prejudice the WTO rights of any member that is not a party to the MEA in question;

(ii) procedures for regular information exchange between MEA Secretariats and the relevant WTO committees, and the criteria for the granting of observer status;

(iii) the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services. The ministers noted that fisheries subsidies form part of the negotiations provided for in paragraph 28.

31. The ministers instruct the Committee on Trade and Environment, in pursuing work on all items on its agenda within its current terms of reference, to give particular attention to:

(i) the effect of environmental measures on market access, especially in relation to developing countries, in particular the least-developed among them, and those situations in which the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development;

(ii) the relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights; and

(iii) labelling requirements for environmental purposes. Work on these issues should include the identification of any need to clarify relevant WTO rules. The Committee shall report to the Fifth Session of the Ministerial Conference, and make recommendations, where appropriate, with respect to future action, including the desirability of negotiations. The outcome of this work as well as the negotiations carried out under paragraph 31(i) and (ii) shall be compatible with the open and non-discriminatory nature of the multilateral trading system, shall not add to or diminish the rights and obligations of members under existing WTO agreements, in particular the Agreement on the Application of Sanitary and Phytosanitary Measures, nor alter the balance of these rights and obligations, and will take into account the needs of developing and least-developed countries.

32. The ~~m~~inisters recognize the importance of technical assistance and capacity building in the field of trade and environment to developing

countries, in particular the least-developed among them. They also encourage that expertise and experience be shared with members wishing to perform environmental reviews at the national level. A report shall be prepared on these activities for the Fifth Session.

Electronic Commerce

33. The ministers take note of the work which has been done in the General Council and other relevant bodies since the Ministerial Declaration of 20 May 1998 and agree to continue the Work Programme on Electronic Commerce. The work to date demonstrates that electronic commerce creates new challenges and opportunities for trade for members at all stages of development, and they recognize the importance of creating and maintaining an environment which is favourable to the future development of electronic commerce. They instruct the General Council to consider the most appropriate institutional arrangements for handling the Work Programme, and to report on further progress to the Fifth Session of the Ministerial Conference. The ministers declared that members will maintain their current practice of not imposing customs duties on electronic transmissions until the Fifth Session.

Small Economies

34. The ministers agreed to a work programme, under the auspices of the General Council, to examine issues relating to the trade of

small economies. The objective of this work is to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, and not to create a sub-category of WTO members. The General Council shall review the work programme and make recommendations for action to the Fifth Session of the Ministerial Conference.

Trade, Debt and Finance

35. The ministers agreed to an examination, in a Working Group under the auspices of the General Council, of the relationship between trade, debt and finance, and of any possible recommendations on steps that might be taken within the mandate and competence of the WTO to enhance the capacity of the multilateral trading system to contribute to a durable solution to the problem of external indebtedness of developing and least-developed countries, and to strengthen the coherence of international trade and financial policies, with a view to safeguarding the multilateral trading system from the effects of financial and monetary instability. The General Council shall report to the Fifth Session of the Ministerial Conference on progress in the examination.

Trade and Transfer of Technology

36. The ministers agreed to an examination, in a Working Group under

the auspices of the General Council, of the relationship between trade and transfer of technology, and of any possible recommendations on steps that might be taken within the mandate of the WTO to increase flows of technology to developing countries. The General Council shall report to the Fifth Session of the Ministerial Conference on progress in the examination.

Technical Cooperation and Capacity Building

37. The ministers confirmed that technical cooperation and capacity building are core elements of the development dimension of the multilateral trading system, and they welcome and endorse the New Strategy for WTO Technical Cooperation for Capacity Building, Growth and Integration. The Ministers instruct the Secretariat, in coordination with other relevant agencies, to support domestic efforts for mainstreaming trade into national plans for economic development and strategies for poverty reduction. The delivery of WTO technical assistance is designed to assist developing and least-developed countries and low-income countries in transition to adjust to WTO rules and disciplines, implement obligations and exercise the rights of membership, including drawing on the benefits of an open, rules-based multilateral trading system. Priority shall also be accorded to small, vulnerable, and transition economies, as well as to members and observers without representation in Geneva. The ministers reaffirm their support for the valuable work of the International Trade Centre, which should be enhanced.

38. The ministers underscore the urgent necessity for the effective coordinated delivery of technical assistance with bilateral donors, in the OECD Development Assistance Committee and relevant international and regional intergovernmental institutions, within a coherent policy framework and timetable. In the coordinated delivery of technical assistance, they instruct the Director-General to consult with the relevant agencies, bilateral donors and beneficiaries, to identify ways of enhancing and rationalizing the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries and the Joint Integrated Technical Assistance Programme (JITAP).
39. The ministers agreed that there is a need for technical assistance to benefit from secure and predictable funding. They therefore instruct the Committee on Budget, Finance and Administration to develop a plan for adoption by the General Council in December 2001 to ensure long-term funding for WTO technical assistance at an overall level no lower than that of the current year and commensurate with the activities outlined above.
40. The ministers established firm commitments on technical cooperation and capacity building in various paragraphs in this Ministerial Declaration. They reaffirm these specific commitments contained in paragraphs 16, 21, 24, 26, 27, 33, 38-40, 42 and 43, and also reaffirm the understanding in paragraph 2 on the

important role of sustainably financed technical assistance and capacity-building programmes. They instruct the Director-General to report to the Fifth Session of the Ministerial Conference, with an interim report to the General Council in December 2002 on the implementation and adequacy of these commitments in the identified paragraphs.

Least-Developed Countries

41. The ministers recognize that the integration of the LDCs into the multilateral trading system requires meaningful market access, support for the diversification of their production and export base, and trade-related technical assistance and capacity building. They agreed that the meaningful integration of LDCs into the trading system and the global economy will involve efforts by all WTO members. The ministers committed themselves to the objective of duty-free, quota-free market access for products originating from LDCs. In this regard, they welcome the significant market access improvements by WTO members in advance of the Third UN Conference on LDCs (LDC-III), in Brussels, May 2001. The ministers further commit ourselves to consider additional measures for progressive improvements in market access for LDCs. Accession of LDCs remains a priority for the membership. They agreed to work to facilitate and accelerate negotiations with acceding LDCs. They instruct the secretariat to reflect the priority they attach to

LDCs' accessions in the annual plans for technical assistance. The ministers reaffirm the commitments they undertook at LDC-III, and agreed that the WTO should take into account, in designing its work programme for LDCs, the trade-related elements of the Brussels Declaration and Programme of Action, consistent with the WTO's mandate, adopted at LDC-III. The ministers instruct the Sub-Committee for Least-Developed Countries to design such a work programme and to report on the agreed work programme to the General Council at its first meeting in 2002.

42. They endorse the Integrated Framework (IF) for Trade-Related Technical Assistance to Least-Developed Countries as a viable model for LDCs' trade development. The ministers urge development partners to significantly increase contributions to the IF Trust Fund and WTO extra-budgetary trust funds in favour of LDCs. The Ministers urge the core agencies, in coordination with development partners, to explore the enhancement of the IF with a view to addressing the supply-side constraints of LDCs and the extension of the model to all LDCs, following the review of the IF and the appraisal of the ongoing Pilot Scheme in selected LDCs. They request the Director-General, following coordination with heads of the other agencies, to provide an interim report to the General Council in December 2002 and a full report to the Fifth Session of the Ministerial Conference on all issues affecting LDCs.

Special and Differential Treatment

43. The ministers reaffirm that provisions for special and differential treatment are an integral part of the WTO Agreements. They noted the concerns expressed regarding their operation in addressing specific constraints faced by developing countries, particularly least-developed countries. In that connection, they also noted that some members have proposed a Framework Agreement on Special and Differential Treatment. The Ministers therefore agreed that all special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational. In this connection, they endorse the work programme on special and differential treatment set out in the Decision on Implementation-Related Issues and Concerns.

Organisation and Management of the Work Programme

44. The negotiations to be pursued under the terms of this declaration shall be concluded not later than 1 January 2005. The Fifth Session of the Ministerial Conference will take stock of progress in the negotiations, provide any necessary political guidance, and take decisions as necessary. When the results of the negotiations in all areas have been established, a Special Session of the Ministerial Conference will be held to take decisions regarding the adoption and implementation of those results.

45. The overall conduct of the negotiations shall be supervised by a Trade Negotiations Committee under the authority of the General Council. The Trade Negotiations Committee shall hold its first meeting not later than 31 January 2002. It shall establish appropriate negotiating mechanisms as required and supervise the progress of the negotiations.
46. With the exception of the improvements and clarifications of the Dispute Settlement Understanding, the conduct, conclusion and entry into force of the outcome of the negotiations shall be treated as parts of a single undertaking. However, agreements reached at an early stage may be implemented on a provisional or a definitive basis. Early agreements shall be taken into account in assessing the overall balance of the negotiations.
47. Negotiations shall be open to:
- (i) all members of the WTO; and
 - (ii) States and separate customs territories currently in the process of accession and those that inform members, at a regular meeting of the General Council, of their intention to negotiate the terms of their membership and for whom an accession working party is established. Decisions on the outcomes of the negotiations shall be taken only by WTO members.
48. The negotiations shall be conducted in a transparent manner among

participants, in order to facilitate the effective participation of all. They shall be conducted with a view to ensuring benefits to all participants and to achieving an overall balance in the outcome of the negotiations.

49. The negotiations and the other aspects of the Work Programme shall take fully into account the principle of special and differential treatment for developing and least-developed countries embodied in: Part IV of the GATT 1994; the Decision of 28 November 1979 on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries; the Uruguay Round Decision on Measures in Favour of Least-Developed Countries; and all other relevant WTO provisions.
50. The Committee on Trade and Development and the Committee on Trade and Environment shall, within their respective mandates, each act as a forum to identify and debate developmental and environmental aspects of the negotiations, in order to help achieve the objective of having sustainable development.
51. Those elements of the Work Programme which do not involve negotiations are also accorded high priority. They shall be pursued under the overall supervision of the General Council, which shall report on progress to the Fifth Session of the Ministerial Conference¹⁸.

The WTO talks at Qatar have been declared a success in sense that there would be more talks in future involving a new round for further lowering the trade barriers in favour of developing and less developed countries. Of course, one good news at Doha meet was the inclusion of both China and Taiwan into the trade group making total of 144 member countries.

India's Concerns at Doha

India played pro-active role in the deliberations at the fourth Ministerial Conference at Doha. India wanted genuine implementation of resolutions related concerns, increased market access in agriculture, sufficient clarity and flexibility under TRIPs agreement for public health policies and was strongly opposed to the introduction of non-trade issues like labour standards in the agenda. India wanted to ensure the adoption of an agenda that emphasised not only to trade but also the developmental goals and priorities for developing countries with the Doha Declaration laying down the agenda for the forthcoming trade talks, the focus will not shift to the work programme in WTO. India along with other developing countries would work to ensure that their interests and concerns are adequately taken care of in the work programme. The opportunity also needs to be used for hastening the pace of domestic reforms to further strengthen the country's competitiveness in global trade.

The mandated negotiations as per Article 20 of the Agreement on Agriculture commenced in 2000. India has submitted its comprehensive proposals in the areas of Domestic Support, Market Access, Export Competition and Food Security. The proposals keep in view the objectives of protecting India's food and livelihood security by having freedom for taking all domestic policy measures for poverty alleviation, rural development and rural employment as also to create opportunities for expansion of agricultural exports by securing market access in developed countries. With a view to take garner support of other developing countries, India also co-sponsored two proposals with other countries: one on the market access and another was on export credit for agricultural products. As a part of consultation process with major stakeholders, a Conference of the Chief Ministers was also held in May, 2001 on the issue of "WTO Agreement on Agriculture and the Food Management" to seek views of the states on these issues. The modalities for further commitments in the areas of market access, export subsidies and domestic support, as well as special and differential treatment provisions, as per work programme agreed at Doha Ministerial Conference are to be finalized by 31 March, 2003.

The mandated negotiations under GATS for liberalisation of services also commenced in 2000. The negotiations were to be conducted on the basis of Negotiating Guidelines and Procedures adopted in March, 2001. These guidelines were largely based on the proposal of India and

22 other developing countries and recognised the appropriate flexibility for developing countries granted and the primacy of the request - offer approach as the main method of negotiations. India has submitted a proposal on the movement of natural persons as it is an issue of core interest to India¹⁹. India has export interest in areas such as professional services like accountancy, health, architecture, engineering services, construction services and information technology services. The Indian proposal has sought the removal of existing limitations on the movement of professionals. The suggestions which were given by India include:

- Need for establishment of multilateral norms to reduce the scope for discriminatory practices in the use of Economic Needs Test (ENT).
- Social security contributions should not be required to be made for temporary movement, as professionals are not eligible for receiving benefits of such contributions. This has been a major problem for information technology workers in the US. They are normally posted in that country for a maximum period of one year. However, they pay for social security in the US while the Indian company, which pay its salary, deducts provident fund. They Therefore end-up paying at two places.
- Another issue of importance is the issue of Visa that the Indian proposal has highlighted. The proposal states that the possibility of providing for more transparent Visa regimes for movement of

personnel under GATS will have to be considered by various member States.

- The Indian proposal said that non-recognition of qualifications of Indian professionals by the developed countries often work as a serious market entry barrier. India has, therefore, suggested in its proposal that professional qualifications have to be accepted. This means that an Indian Chartered Accountant degree holder should be allowed to practice in US or Europe.
- The countries in the ASEAN region have sought the inclusion of emergency safeguard measures in the services negotiations. India at present does not want work on this since the government is of the opinion that emergency safeguard measure can be used effectively by the developed countries against the movement of our professionals. The negotiations guidelines seek the completion of work on the emergency safeguard measures by March 15, 2002.

A total of 70 initial negotiating proposals indicating the expectation of the member states in this sector have already been received by the WTO²⁰.

Under TRIPs, India has been seeking for greater flexibility and clarity in the interpretation of the Agreement on TRIPs in order to ensure affordable access to essential medicines and life saving drugs, in keeping with the public health concerns of developing countries. India, the African

group of countries, Barbados, Bolivia, Brazil, Dominican Republic, Philippines, Peru, Sri Lanka, Thailand and Venezuela jointly submitted a paper on TRIPs and public health to the TRIPs-Council in which India, along with other co-sponsors, had demanded that the WTO should ensure that the TRIPs Agreement does not undermine the right of WTO members to formulate their own public health policies and adopt measures for providing affordable access to medicines. Nothing in the TRIPs Agreement should prevent Government from taking measures for protecting public health. It should also be clarified and reconfirmed that Governments should be able to issue compulsory licences to achieve public policy objectives and ensuring that nothing in the TRIPs Agreement limits the grounds for Governments to issue compulsory licences. The Doha declaration affirms that the TRIPs Agreement can and should be interpreted and implemented in a manner supportive of WTO members right to protect public health and, in particular, to promote access to medicines for all.

India, along with other developing countries, continued to maintain pressure for resolution of implementation related issues relating to various perceived asymmetries and imbalances in existing WTO Agreements and effective operationalisation of various special and differential treatment provisions for developing countries. At the conclusion of the Conference, the ministers adopted a decision on implementation related concerns. Out of the total of 102 issues

considered, the Doha Conference took decisions in respect of 43 issues. The remaining issues have been referred either to negotiations or to subsidiary bodies for further examination and thus other issues are an integral part of the World Programme of the WTO²¹.

The Doha Ministerial Conference did not produce any 'winner' in a real sense. India had some positive gains only in respect of 'Patent Rights' issues especially with the Public Health Emergency related drugs. In the area of agriculture the gain may be said to be positive to some extent when we compare with the developmental needs of agriculture, food security as well as rural infrastructural development. The issues related to labour standards, trade facilitation and transparency in the government procurement, however, from a strategic point, the view can not be taken at par with the 'success'. Regarding textile quota, tariff concessions, trade and environment related issue etc. India's gains may said to be 'Negative', since these areas did not bring anything constructive and positive to our nation. It is because of US pressure or unfaithful role played by various other nations during the meeting at Doha or India's poor home work related to these above issues which certainly needs our preferential attention²².

Misunderstandings about World Trade Organisation: Because of the following reasons various member countries were opposed to the WTO.

- **The WTO Only Serves the Interests of Multinational Corporations**

WTO is not democratic, transparent institution, but its policies impact all aspects of society. The WTO rules are written by the corporations and for the corporations with inside access to the negotiations. Citizen input by consumer, environment, human rights and labour organisations are ignored. Even requests for information are refused and the proceedings held in secret.

- **The WTO is a Stacked Court**

The WTO's dispute panels, which rule on whether domestic laws are 'barriers to trade' and should therefore be abolished, consist of three trade bureaucrats who are not screened for conflict of interest.

- **The WTO Tramples Over Labour and Human Rights**

The WTO has refused to address the impacts of free trade on labour rights, despite the fact that the countries which enforce the labour rights are disadvantaged by countries that consistently violate international conventions. Many developing countries, such as Mexico, contend that labour standards constitute a "barrier to free trade" for countries whose competitive advantage is cheap labour in the global economy.

- **The WTO is Destroying the Environment**

The WTO is being used by corporations to dismantle hard-won

environmental protections, which are attacked as “barriers to trade”. The WTO is currently negotiating an agreement that would eliminate tariffs on wood products, thus increasing the demand for timber and escalating deforestation.

- **The WTO is Killing People**

WTO’s cruel defence of intellectual property rights—patents, trademarks and copyrights comes at the expense of health and human lives. The organisation’s support for pharmaceutical companies against governments seeking to protect their people’s health has had serious implications for places like sub-Saharan Africa, where 80 per cent of the world’s new AIDS cases are found. The US government, on behalf of US drug companies, is trying to block developing countries’ access to less expensive life-saving drugs. For example, the South African government has been threatened with a WTO challenge over proposed national health laws which encourage the use of generic drugs, ban the practice of manufacturers which offering economic incentives to the doctors who prescribe their products and institute “parallel importing”, which allows companies to import drugs from other countries where drugs are cheaper.

- **The US Adoption of the WTO was Undemocratic**

On December 1, 1994, the Congress approved GATT under Fast Track during a lame-duck session of Congress. This Fast Track limits public debate by not allowing amendments. The approval of the WTO

required entire sections of US laws to be rewritten to conform with the WTO rules, similar to the way that treaties often redefine how the US will interact with other nations. Had the agreement been voted on as a treaty, requiring a two-third majority in the Senate, it would have been defeated.

- **The WTO Undermines Local Development and Penalizes Poor Countries**

The WTO's "most favoured nation" provision requires all WTO member countries to treat each other equally and to treat all corporations from these countries equally regardless of their track record. Local policies aimed at rewarding companies to hire local residents, use domestic materials, or adopt environmentally sound practices are essentially illegal under the WTO. Under the WTO rules, developing countries are prohibited from following the same policies that developed countries pursued, such as protecting nascent, domestic industries until they can be internationally competitive.

- **The WTO is Increasing Inequality**

Free trade is not working for the majority of the world. During the most recent period of rapid growth in global trade and investment (1960 to 1998) inequality worsened both internationally and within countries. The UN Development Program reports that the richest 20 per cent of the world's population consume 86 per cent of the world's resources while the poorest 80 per cent consume just 14 per cent. The WTO

rules have hastened these trends by opening up countries to foreign investment and thereby making it easier for production to go where the labour is cheapest and most easily exploited and environmental costs are low. Companies cut wages and jobs in developed countries, saying they must in order to be “globally competitive”.

- **The WTO Undermines National Sovereignty**

By creating a supranational court system that has the power to levy big fines on countries to force them to comply with its rulings, the WTO has essentially replaced national governments with an unaccountable, corporate-backed government. Under the WTO, governments can no longer act in the public interest.

- **The Tide is Turning Against Free Trade and the WTO**

There is a growing international violation against WTO and the process of corporate globalisation over which it presides. Movement-building by coalitions such as People’s Global Action against the WTO in Europe and the Citizen’s Trade Campaign in the US are growing fast, as public support dwindles for corporate-managed free trade. The recent polls show that 58 per cent of Americans agree that foreign trade has been bad for the US economy, and 81 per cent of Americans say that Congress should not accept trade agreements that give other countries the power to overturn US laws. Thousands in the Seattle Ministerial Conference demanded that WTO cease from further

negotiations and instead, review and repair the damage done under WTO regimes in the last four years²³.

WTO and Developing Countries

There are 157 developing countries in the world, of which 48 countries are very poor and least developed. One hundred eleven developing countries are the member of the WTO, of which 30 countries are least developed. The developing countries constitute 85 per cent of the world population enjoying only 21.7 per cent of world GDP.

Though the WTO has given special and differential treatment to developing countries, yet the global economic scenario is not in favour of them. Most of the developing countries are not interested in further negotiations because they think that WTO has not given the benefits which it promised to them.

Developed countries are not honest in implementation of the agreement advantageous to developing countries. They moved slowly in phasing out controls on textiles, while they are quick to impose anti-dumping duties. Tariff rates continue to be high on agricultural products like rice, wheat, sugar, etc. which are of export interest of the developing countries. The subsidy reduction on agriculture was less than the satisfactory level on the part of developed countries. The WTO system controlled by the developed countries, is being used by developed countries to introduce non-trade issues such as labour standards,

environment, government procurement etc. While developing countries were against to link these issues with trade. It is evidently clear that developed countries are trying to introduce new forms of protectionism, which would further harm the interest of the developing countries and force the developing countries to open the markets for developed countries²⁴.

The dispute settlement mechanism of WTO is biased in favour of rich and against the poor. From the developing point of view two sensitive issues relating to labour standards and environment which if implemented may put adverse effect on their international trade. On the labour issue two points have been highlighted by the developed countries which relate to core labour standards and to the child labour. Developed countries demand for linking the trade with labour standards because they fear that the globalisation of trade will lure investments away from the industrialized world to the poor countries where wages are low. However, asking for increasing wage levels in developing countries, India and other developing countries can demand the raising of capital costs (interest rates) in developed countries to the level that prevail in their economies. On the other hand they demand that children should go to school rather than to do work. This is a fair demand in itself but it ignore the realities of the poor countries, where the issue of child labour is ofcourse associated with very survival of the child concern.

The question of linking of trade with environment is also undesirable from developing country's point of view. When developing countries came to environmental standards, poor countries where major diseases like cholera, typhoid, dysentery are major killers, might want to spend money on improving the quality of drinking water rather than on cleaning up automobile pollution²⁵.

The reasons of the developing countries losing out in competition to developed countries are: Firstly, the differential and favourable treatment given to developing countries was usually the amount to provision of a longer period of time for the implementation of obligations. This treatment is lacking the depth, this is as a formality and does not cater the real needs of developing countries. Secondly, if a less developed / developing country wins or lodge case against a developed economy and if, that economy still refuses to implement the necessary policy changes, the LDC or developing country retaliate certain product into the country. However, this system is only a real threat to such economies. The developed country would not worry so much but for developing country it will be difficult to stand up to a developed economy. Thirdly, the old GATT rules were not as binding as the WTO rules. The new WTO rules requires that all WTO members agree to be bound by all the Uruguay Round Agreements. This is difficult for developing countries, whether to accept liberalized trade in all agreements which harm their domestic economies or to leave the international world trade system. Fourthly, the WTO agreement needed

simple majority vote to initiate a negotiations on WTO provisions. The new rules easily allow the larger nations to coerce the smaller countries. Fifthly, the WTO decision making process is far from transparent. In the Singapore Ministerial Conference only selected countries were invited and many other countries did not know even that where negotiations are taking place because they were not informed and really they were not allowed into these meetings. Lastly, there was more arm-twisting when developing countries refuse to agree to certain decisions²⁶.

General Implications of WTO in Nutshell

It is a tribute to the human civilization that sovereign nations have agreed to subordinate their freedom (to act) and have agreed to work within the framework of rules to promote global trade. The Uruguay Round of negotiations has resulted into formation of WTO a rule based system, which is expected to lead to smooth and orderly international trade. But it also had certain implications on various sectors in international trade. In nutshell the implications in terms of both threats and opportunities, could be summarized as:

- The impact of WTO and its agreements are on every economic activity may it be agriculture, trading, service or manufacturing.
- World markets are opening up due to lowering of tariffs and dismantling of other restrictions in developed and developing countries. Enlightened and awakened entrepreneurs have

greater opportunities to benefit from their comparative advantages in various sectors.

- Domestic markets will be increasingly threatened because of lowering of tariffs leading to freer entry of foreign goods and because of foreign companies' establishing manufacturing bases locally.
- The developing countries have greater opportunities in sectors in which they have cost based comparative advantages e.g. Textiles, Agriculture etc., the developed countries to benefit by opening of service sector and tightening of Intellectual Property Regime.
- Export Markets have become tougher because of competition among developing countries with similar comparative advantages.
- There is a wave of standardization blowing across the globe; products from developing countries are to face tougher quality standards in developed markets particularly in the areas where they have comparative cost advantage.
- Every company – whether serving domestic or international market, will have to undertake internal exercise to identify factors affecting its international competitiveness in terms of cost as well as quality. It will need to study if it can stay

competitive once the product becomes freely importable or tariffs are further lowered or at both.

- The WTO regime has benefited those countries more which show wits and skills in the ongoing dialogue. The Governments that are in constant touch with their industries and affected groups will be able to determine with clarity how and what should be negotiated at multilateral negotiations to the best of their advantage.
- The International Trade is increasingly becoming knowledge based. The entrepreneurial ability will come to fore in the new environment.

Impact of WTO on Tariff Reduction

The main objective of the WTO is the liberalisation of tariff barriers in international trade for which it was setup. WTO has been able to reduce tariff barriers which could be observed from table 5.1.

Table-5.1

Tariff Reduction on Industrial Products

Product category	Import value (US\$ billion)	Pre-GATT Tariff (Per centage)	Post-GATT Tariff (Per centage)
<i>All industrial products</i>			
Raw materials	36.6	2.1	0.8
Semi-manufactures	36.5	5.4	2.8
Finished products	96.5	9.1	6.2
<i>All tropical industrial products</i>			
Raw materials	5.1	0.1	0.0
Semi-manufactures	4.3	6.3	3.4
Finished products	4.9	6.5	2.4
<i>Natural resource-based products</i>			
Raw materials	14.6	3.1	2.0
Semi-manufactures	13.3	3.5	2.0
Finished products	5.5	7.9	9.9

Source: World Trade Organisation, Geneva.

Of course the given table 5.1 proves the WTO verdict that it is working for the tariff reduction as most of the items indicated in the table shows the reducing tariffs. However, it is important to note that the tariff fall is relatively much higher in case of raw materials which is imported by the developed world most, while the tariff reduction in case of finished products is reported to be much smaller showing the tendency that the developed world is still reluctant to import more of finished goods.

Table-5.2

Tariff Reduction on Agricultural Products (Per centages)
(WTO Track)

Product category	DCs¹	EU	USA	Japan
All agricultural products	37	37	39	36
Fruits and vegetables	36	28	39	39
Coffee and tea	38	41	21	33
Sugar	30	27	23	27
Spices & cereal preparations	38	43	38	30
Grains	39	44	50	31
Animals and products	32	42	34	34
Oilseed, fats, oils	40	42	42	46
Beverages and spirits	38	28	50	40
Dairy products	28	36	15	18
Others	48	48	51	43

¹DCs: Developed Countries.

Note: figures represent reductions in simple averages.

Source: World Trade Organisation, Geneva.

The table 5.2 given above shows that there is substantial reduction in the tariff of agricultural products in the developed world but still the existing level of tariffs are high and substantial deterrent for the import from the developing countries. Further while the tariffs are being reduced on agricultural products, the developed world has started using more of non-tariff barriers like health and hygiene etc.

Besides above the WTO is being considered as the third pillar in international economic relations alongwith the World Bank and IMF. It plays an important role in controlling the various articles of the agreements and implement the policies and programmes arising out of different negotiations. It provides an effective mechanism to solve various typical issues of disputes arising from bilateral trade, acting as a management consultant in the field of world trade. It act as a watchdog of international trade and provide a forum for negotiations regarding exchange of trade barriers. The WTO binds the member nations in a global co-operative manner to raise the incomes and create good jobs through fair and open trade by introducing trade in goods and services.

After the detailed discussion on the various Ministerial Conferences and various other aspects of WTO, an attempt will be made in the next chapter to evaluate the impact of WTO Agreement on the Indian Economy.

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CHAPTER-6

IMPACT OF WTO ON INDIAN ECONOMY

The previous chapter discussed the World Trade Organisation, traced the events bringing the organisation into existence, the four Ministerial Conferences held under its auspices and the different declarations made with regard to trade and tariffs to be followed by the member countries. These provisions have great bearing on the international trade and affect the different countries in different ways. The impact of WTO's various provisions on Indian Economy is discussed in the present chapter. The implications are analysed in their various aspects in the following discussion.

World Trade Organisation and India

India is the founding member of the WTO. India was in favour of multilateral trade approach. It enjoys MFN status and allows the same status to all other trading partners. India has joined the WTO in order to integrate the domestic economy with the world economy. Our country had been depending on export and import for coping with the domestic needs of technology, machinery and consumer goods. In the absence of WTO membership, we had to negotiate separately with each and every country and be at a disadvantageous position. Country to country negotiations every year ~~were~~ not only time consuming but also there used to be arm twisting negotiations with developed countries. Thus India joined the WTO membership. India benefited from WTO provisions

in which some are as like - firstly, by reducing tariff rates on raw materials components and, capital goods, it was able to import more for meeting her developmental requirements. Secondly, as India is a founder member of WTO with wide membership of the organisation, India get market access in several countries without any bilateral trade agreements. Thirdly, advanced technology would be obtained at low cost. Fourthly, because of wide arrangement for resolving trade disputes under WTO, India would be in a better position to get quick redressal of the trade disputes, if any. Fifthly, the scope of creating more job would be expanded. Sixthly, the Indian exporters have deficient market information, this can be removed by the help of WTO and country can get wider market information, and Finally, due to increasing competition and exposure the competitive edge and productivity of Indian industry will improve.

In order to achieve the gains from WTO the government of India has announced the Export-Import policy 1992-1997 to liberalize trade and boost domestic manufacturing sector. The ministry of commerce of the Government of India expects that by WTO India would benefit by creating 10 million additional jobs annually and India's market share in world exports would improve.

A Federation of Indian Chamber of Commerce and Industry (FICCI) Task Force reports(March 1996) on WTO, rightly observed that in changing scenario there is no alternative to Indian industry but to gear

up itself to raise the efficiency and competitiveness, so that India is able to meet the competition in both, the domestic and external markets. By, this, under certain areas like agricultural and allied exports, textiles and trade in services India can meet not only the challenges and will be able to exploit opportunities successfully when developed countries will co-operate to share the fruits of growth and openness in the new world trade order.

Indian Perspective of WTO Provisions

India perceives that the trade under WTO regime would benefit it in several ways. The following are noteworthy.

1. It is expected that India's share in the world exports improves from 0.5 per cent to 1 per cent. The phasing out of MFA by 2005 will benefit to India as the exports of textiles and clothing will increase. Tariff reductions and reduced non-tariff barriers shall facilitate greater access of foreign markets.
2. Benefits from increase in the world prices of agricultural products due to reduction in subsidies and barriers to trade are also likely to occur to India and consequently the earnings of agricultural exports will increase. From the India's point of view the major state of Central Government programmes for development of agriculture will be exempted from the WTO disciplines in the agricultural agreement.

3. The WTO agreement has strengthened multilateral rules and disciplines particularly related to anti-dumping, subsidies, countervailing measures, safeguards and disputes settlement. This will ensure greater security and predictability of international trading system which create more favourable environment for India in the new world economic order¹.

India's Commitments to WTO

With the above favourable perceptions for its economy, India consulted itself to observe the Union Governments relating to trade and tariffs adopted by the WTO in its various Ministerial Conferences. The highlights of commitments made by Indian government are set out as under:

1. Tariff Lines

About 67 per cent of its tariff lines were bound. For non-agriculture goods, with a few exceptions ceiling bindings of 40 per cent and 25 per cent on intermediate goods have been undertaken. The phase of reduction is extended to the year 2005.

2. Quantitative Restrictions (QRs)

QRs on imports maintained on balance of payments grounds were notified to WTO in 1997 for 2714 tariff lines at the eight digit level. In view of the improvements in India's balance of payments, the committee on balance of payments restrictions has asked India for a phase out for

the QRs. Based on presentation, India reached an agreement with these countries, except USA, to phase out the QRs over a period of 6 years beginning 1997.

3. TRIPs

The ruling of the two WTO Dispute Settlement Panels following the complaints made by the USA and the European Union that India had failed to meet the commitments under Article 70.8 and 70.9 made it obligatory for the Government of India to make appropriate amendments to the patents Act 1970 by April 19, 1999. The patents Act 1999 was passed by the Parliament in March 1999 to provide Exclusive Marketing Rights. In respect of plant varieties, a decision has been taken to put in place a sui-generis system as it is perceived to be in our national interest.

As far as copyrights and related rights are concerned, the Copyright Act 1957 as amended in 1994 takes care of our interest and meets the requirements of the TRIPs Agreement except in the case of terms of protection of performers rights. A bill to increase this term to 50 years was passed by Parliament in December, 1999. As far as lay-out designs are concerned, a legislation giving protection to them was introduced in the Rajya Sabha on December 20, 1999 by the Department of Electronics. In the field of trade marks, the Trade and Merchandise Marks Act (TMMA), 1958 is in its essential features, in the accordance with international law. A bill passed in Parliament in December, 1999

provides for protection to service marks. On the question of geographical indications, there is specific law in India for this purpose. Case law, however, enables legal action for protection of geographical indications. The Government of India decided to enact a new law on the subject to take advantage of the provisions of the TRIPs Agreement. A bill in this regard was passed by the Parliament in December 1999.

4. TRIMs:

The Government of India notified two TRIMs, viz., that relating to local content requirements in the production of certain pharmaceutical products and dividend balancing requirements in the case of investment in 22 categories of consumer items.

5. GATS

India has commitments in 33 activities. The choice of the activities has been guided by considerations of national benefits.

6. Customs Valuation Rules

India's legislation on Customs Valuation Rules 1998, has been amended to bring it in conformity with the provision of the WTO Agreement².

WTO and its Impact

It is observed that some important sectors of India hit by WTO agreement. The specific impact on some sectors are discuss below:

Impact of WTO on Indian Agriculture

The Agreement of Agriculture (AoA) can generally be classified into four groups viz., (a) Imposition of import duties, (b) Withdrawal of Quantitative Restrictions (QRs), (c) Economic help admissible under WTO and (d) Export subsidies.

(a) Imposition of Import Duties

The earlier GATT had a provision of trading in agricultural produce also, but it did not facilitated in providing free trade regime around the world. It was allowed to levy import duties and import quotas for restricting import and export subsidies as incentives to boost traditional exports and protect the domestic activities. Fishery, forestry, rubber, jute, sisal, coir and abaca were not covered under the traditional agricultural exports.

The provisions under AoA for UDCs are focused to reduce tariff commitments by an average of 24 per cent in equal steps over 10 years (upto 2004) from 1995 and for developed countries (DCs) it is 36 per cent over the period of 6 years (upto 2000) (See Table 6.1).

Table-6.1
Commitments by Member Countries Under AoA

Particulars	Developed Countries (6 years: 1995-2000)	Developing Countries (10 years:1995-2004)
Tariffs		
a) Avg. cut for all agricultural products	-36%	-24%
b) Minimum cut per product	-15%	-10%
Domestic support		
Total AMS cuts for sector (Base period 1986-88)	-20%	-13.3%
Market access	3-5%	3-5%
Export subsidies		
a) Value of subsidies	-36%	-24%
b) Subsidised quantities (Base period 1986-90)	-21%	-14%

Source: By the courtesy of Mr. V.B. Jugale, Professor and Head Department of Economics, Dean, Social Sciences Faculty, Shivaji University, Kolhapur

The minimum per product cut in tariffs as specified in table 6.1 is 15 per cent for DCs and 10 per cent for UDCs. The least developed countries do not have cut their tariffs under it. The Government can take special emergency action (safeguards) to prevent swiftly falling prices by hurting their farmers in case of non-tariff restrictions converted to tariffs. Specifications in such cases regarding when and how are required to be given by the governments. It is however, stipulated as minimum

market access equal to 3 per cent of domestic consumption rising to 5 per cent by the end of the implementation period. Special treatment is given to Japan (for rice), Republic of Korea (for rice), Philippines (for juice) and Israel (for sheep meat).

As per the AoA, if India finds quite viable in foreign exchange reserves can hike the import duties upto the limit of 100 per cent on agricultural raw material, 150 per cent on agricultural processing items, and 300 per cent on edible oil products. But, Government of India has revised the import duties thrice, since then, once in January 2000 another in July 2000 and third in February 2001.

As a result of this the Indian agricultural goods are comparatively sold at higher prices due to high cost of cultivation. This has totally discouraged the Indian farmers. The domestic grain market is not remunerative to the Indian farmers, even when the agricultural growth rate has slide down to 4.6 per cent in 2000-2001. The average tariff barriers on 600 agricultural items have been reduced since last five years. Besides, the custom duties on Indian goods entering the foreign market (USA, EU) continue to be high e.g. 180 per cent for wheat, while it is less than 80 per cent in India. It is a disincentive to the investors in the areas. To bring at the level of equivalence, India should step up to enhance export. But India is getting the benefit of competitiveness only in 46 items out of 406 exportable items. The potentiality is lying unharnessed. So, there is a need to act promptly in

imposing the tariffs and to accentuate on the exports of fresh and frozen brovine meat, fish, fresh grapes, vegetables and castor oil etc.

(b) Withdrawal of QRs

By the end of March 2001, India was expected to withdraw the QRs put on 1429 commodities, and a complete ban on QRs prior to 31st December 2001. As a part of its first phase policy, India was expected to withdraw the QRs on 715 commodities by the end of March 2000. Another phase of withdrawal of QRs on 714 commodities was expected by the end of March 2001. But in all the QRs have been withdrawn for 772 commodities in which 208 agricultural commodities are involved.

As a result of withdrawal of QRs, import is estimated to go up by 8.7 per cent, whose money value is estimated at \$ 3029 billions. India is maintaining QRs due to its adverse BOP. ~~due~~ due to improvements in the BOP, the QRs are not applicable to India from April 2001, instead of which India can only impose bound tariffs.

(c) Economic Help

The domestic support has now become a threat. The support is intended to bring a competitiveness and to cherish the weak in the domestic market. Besides it has been triggered use to heavily subsidizing policies of the DCs to their agriculture for obtaining the gains of price advantages.

As per the agreement, there are Product Specific (PS) and Non-Product Specific (NPS) subsidies. NPS subsidies are given to fertilisers, irrigation, pesticides, credit and other input subsidies. PS subsidies cover the support to 22 products, of which 19 (rice, wheat, jowar, maize, barley, gram, groundnut, rapeseed, toria, cotton, soya, urad, moong, fur, tobacco, jute and sugarcane) are included in the list of commitments.

The extent of subsidies is calculated through Average Measure of Support (AMS) at 13.3 per cent of the proceed value including all supports to agriculture, which should be attained over 10 years. But no specifications observed if the support is less than 13.3 per cent. Special differential treatments are given to UDCs e.g. food security stock at administered prices, targeted subsidised food distribution to meet the needs of urban and rural poors.

The economic help is further classified as Amber box subsidies covering statutory minimum price, grant to agricultural universities, water, services etc. under NSP and PS subsidies to 22 commodities in India. Green box subsidies cover help, consultancy and basic services etc. An under blue box subsidies coves direct subsidies, investment subsidies and subsidies on capital etc which are more beneficial to DCs.

(d) Export Subsidies

Agricultural commodities receive no export subsidies in India other than specified in a member's lists of commitments. Some indirect

incentives are provided to agricultural items for exports. DCs have agreed to cut the value of export subsidies by 36 per cent over a period of 6 years from 1995 and the UDCs have to cut the same by 24 per cent over a period of 10 years. The DCs have to reduce 21 per cent in quantities of subsidised exports and UDCs have to reduce 14 per cent of the same during same period. The DCs are allowed to reduce the cost of marketing and transporting exports under certain conditions.

On the contrary, other countries give substantial amount of subsidies for export of agricultural commodities. The EU (UK, France, Germany etc.) countries give an average 265 per cent of export subsidy, Brazil 60 per cent. Thailand 40 per cent, Pakistan 30 per cent, this has created a panic situation in the agricultural economy of India. Besides, imposition of import duties is neglected, QRs have been withdrawn, no direct export subsidy is given to the exporters of agricultural commodities. On this background India has to oppose such hike in export subsidies in the forthcoming Agricultural Round. Simultaneously, some amount of export subsidies have to be designated to some important agricultural commodities.

Plant Varieties Rights (PVRs)

The PVRs come under the provisions of TRIPs. Accordingly all forms of plants microbiological processes and micro-organisms are required to cope product patents except the researchers, farmers and the Government. The obligations under the PVRs provisions have

complied from the provisions of the Paris Conventions (1967). The benefits of the patenting is made available for a period 20 years for all inventions (product or process patenting) in almost all fields of technology. No patenting on natural goods, animals and varieties of species are allowed. The seeds covered under Seeds Act (1966) do not required patenting.

Patenting is required to prove novelty, distinctiveness, uniformity and stability by developing a Sui-generis system. For which UPOV (Union for the protection of new varieties of plants) convention is expected to be followed.

PVR is a milder form of IPRs in which minimum support given to breeders of new plant varieties under UPOV 1989 are made applicable.

As a result of this, provision in WTO number of companies rushed to register for patenting to their product varieties. So far, more than 400 varieties have been covered under PVRs, in which the LDCs share is only one per cent. India has not yet passed the PVRs bill, it is referred to Joint Parliamentary Committee. The Bill allows farmers' traditional right to save, exchange, share or sell his farm produce of a variety protected under the Act, except where the sale is for the purpose of reproduction under the commercial marketing arrangement.

There are so many complications involved in implementation of PVRs. Most of the developed countries are interested in acquiring patents

on Indian varieties. As a result, India has either to fight for retaining the patents with it or it has to file the applications for patenting. India is rich in bio-diversity, but it is in the hands of poor people. India is a knowledge domain country. Before 1990s India was filing only 3500 applications for registering the patents, which has now gone up to more than 10,000 every year. In 1991, India's share in registrations for patenting was 31.52 per cent (5,03,055) in the world's total patenting (15,95,950). By the end of 1995, India has filed 18,07,215 applications for patenting, which is 65.13 per cent of the world's total (27,74,582). On the contrary Japan has applied for 4.4 million patents whose BoP value goes to 4.1 Trillion Yen or GDP valued to 3781 billion Yens. The share of herbal patent is highest (52 per cent) in Russia and that of China is 45 per cent and the share of Japan in herbal patents is 22 per cent. India is successful in retaining the patents of neem and turmeric; basmati is yet not commissioned. The patenting on Pepper, Amala, Bare, Karela, Jackfruit, Ritha, Aswagandh, have been already patented by the foreign companies.

Patenting of Indian commodities is difficult to Indians because of the following reasons.

1. The fee per patenting is Rs. 75,000/-.
2. Difficult to retain the monopoly power for patented goods.
3. Salesmanship is very difficult.

4. Competitiveness is lacking.
5. No training to the farmers in patenting.
6. Sale of patents will be much favoured by the patent holders.
7. Illiteracy and ignorance in agri-business.

As a result of this following effects can be observed.

- i) MNCS will dominate, they will earn and go back.
- ii) Seeds, plants, tissue culture patent will cause to decelerate trade volume.
- iii) Popular varieties will be developed, monocrop culture will develop.
- iv) Cost of cultivation will go up.
- v) Nutritional value will come down.
- vi) Lapse of some traditional varieties is possible. India has developed around 50,000 varieties.
- vii) Control on the use of varieties may not be possible.
- viii) Red tapeism will grow up in patenting procedures.
- ix) Difficult to gain from National Bio-diversity Authority (Chennai) for Indians, to foreigners it is easy.
- x) A culture of, “produce yourself for yourself or perish” will develop “Use and throw” culture will develop which will obviously harm the environment and ecology of India.

Signing on Agreement of Agriculture and allied agreements was greeted by great euphoria by a number of developing countries as it was expected that these agreements would open up the markets for their products in developed countries. As far as India is concerned, support given to agriculture was negative while developed countries of OECD were found having subsidising their agriculture. The role of the WTO in our agricultural economy has been dominated by fears and apprehensions that the WTO will dramatically change the agricultural scene here since the developed nations with high productivity standards in agriculture have a competitive edge over our low productivity profile in agriculture. On the other hand, the developed nations also have a fear that the instrument of subsidy on the part of developing countries and their Governments will jeopardise this competitive edge.

The negative side of the impact of WTO on Indian economy seems to be more convincing. It failed to improve the standards of living of our people. There is a vast gap between the developed and developing economies due to the early beginning of industrialisation, access to international source of capital, innovative technology, and management techniques enjoyed by the former. The gap is so wide that the latter countries are not able to compete on their own footing unless and until they are provided certain concessions. The consensus said that India's participation in global trade is almost negligible (just 0.67 per cent). Although agriculture provides almost 25 per cent of India's GDP,

agricultural exports are insignificant. India had expected that with the dismantling of domestic support in developed countries and widespread reduction in export subsidies by these countries, market access for Indian agricultural products in developed countries would expand. However, as is clear from the detailed discussion the developed countries have played their cards very cleverly and have taken effective steps to block agricultural exports from developing countries including India behind various loopholes in Agreement on Agriculture and allied agreements.

The WTO agreement on agriculture provides reduction of domestic subsidies, reduction in export subsidies, tariff reduction and bindings to provide market access to member countries. As committed by developed nations that if they reduce subsidies and tariffs then better overseas markets will be available for Indian agricultural products. The products which will be benefited are rice, wheat and wheat preparations, cotton, soyabean, oil seeds, tobacco, fruits, vegetables, juice and juice concentrates and milk and milk products. The Indian farmers through exchange of technology, scientific methods of developed farming with other countries can improve and diversify agriculture and government will increase subsidies to agriculture for these purpose. Thus Indian agriculture may become competitive. For this, our farmers should work efficiently and emphasise on quality so as to penetrate international market.

To have an idea of the competitiveness of India's exports, it is necessary to make a review of positive export performance of the major agricultural products since 1995 when the WTO came into being. Table- 6.2 shows a positive export growth in agricultural products from 1995-96 to 1999-2000.

Table-6.2

**Export Performance of Agricultural Products:
Agricultural Products Showing Positive Export
Growth During 1995-96 to 1999-2000***

(US\$ million)

	1995-96	1996-97	1997-98	1998-99	1999-00
Marine products	1012.31	1129.86	12081.72	1038.15	1181.55
Cashew	367.97	362.41	377.13	386.76	566.42
Tea	350.63	292.38	505.47	538.29	407.99
Basmati rice	254.69	351.74	454.10	446.03	401.10
Spices	237.58	338.92	379.76	387.96	393.23
Castor oil	222.31	176.84	155.21	159.72	245.37
Guargum meal	68.02	100.40	146.82	172.93	189.15
Tobacco unmanufactured	113.38	186.21	247.17	136.00	184.87
Processed fruits and juices	61.25	59.05	73.51	69.12	113.29
Pulses	39.47	37.10	97.22	53.00	93.56
Seasame and niger seeds	77.02	77.61	81.51	79.07	85.88
Tobacco manufactured	20.40	27.15	41.15	45.03	44.55
Poultry and Dairy products	17.59	34.90	31.80	23.04	22.76
Floriculture products	18.01	17.87	23.37	25.18	20.94
Shellac	18.78	14.75	15.65	15.52	18.85
Fruits/vegetable seeds	12.32	11.86	14.41	15.35	15.55
Cashewnut shell liquid	0.43	0.78	1.93	0.98	0.50
Share of these commodities in total agricultural exports (%)	47.29	46.88	58.11	59.52	72.40

*Commodities are sorted by their value of exports in 1999-2000, Exports in US\$ million.

Source: DGCIS

It is observed that marine products, cashew, spices, tea, castor oil and basmati rice are the major export items. However, in case of basmati rice and tea, the relative price advantage is declining over the years. It can be seen from the table-6.2 that more than 70 per cent of India's agricultural export has shown positive growth during 1999-2000. In 1995-96 the share of above all commodities in total agricultural export was 47.29 per cent, in 1996-97 this per centage was decreased and remained 46.88 per cent. But again in 1997-98 this per centage was increased at 58.11 then it was 59.52 in 1998-99 and 72.40 in 1999 - 2000.

In India, agriculture is recognised by food crops and labour absorption. The Indian farmers have a increasing tendency to change their food crops and opt cash crops (crops which give more benefit). Consequently, India might increasing dependence upon imports for their food grains and free import of food grains would increase the price fluctuation in the economy and adversely affect the agricultural production and food security. If the exporting countries give their supply in India at a cheaper prices in comparison to Indian producers then Indian farmers may face a threat, because indian people will be tempted to buy from foreign countries at lower prices which would be fatal for the Indian agricultural sector. Industrialized countries have been giving huge domestic subsidies to their agricultural sector for excessive production, import restrictions and dumping of agri-products in

international markets. So the items like vegetable oils, rice, rubber, coconuts and fruits can be imported cheaply from other countries. This will effect the India's domestic market as well as competitiveness in export of agricultural products. Table-6.3 shows a negative export performance in agricultural products of India from 1995-96 to 1999-2000.

Table-6.3
Agricultural Products Showing Negative Export Growth
During 1995-96 to 1999-2000*

(US\$ million)

	1995-96	1996-97	1997-98	1998-99	1999-00
Oil meals	703.18	985.44	925.44	461.43	370.43
Non-basmati rice	1113.00	542.63	454.03	1046.54	316.41
Coffee	449.98	402.20	456.93	410.63	315.17
Meat & perparations	187.73	199.86	217.77	187.29	180.44
Fresh vegetables	89.04	94.27	84.31	65.12	81.63
Fresh fruits	68.92	68.90	74.58	36.29	66.59
Misc. processed items	161.81	215.41	68.85	60.62	62.39
Groundnuts	68.62	91.86	152.56	33.19	42.34
Processed vegatables	42.74	32.93	31.39	39.75	38.17
Cotton raw including waste	60.94	443.90	221.41	49.17	18.64
Spirit & beverages	13.37	56.75	19.83	16.80	16.21
Sugar and Mollases	151.62	303.89	68.68	5.81	8.74
Other cereals	5.08	13.71	3.39	2.06	1.88
Wheat	109.81	196.91	0.11	0.32	0.00
Share of these commodities in total agricultural exports (%)	52.71	53.12	41.89	40.48	27.60

Source: DGCIS

It can be seen from the table-6.3 that the non-basmati rice, oil meals, coffee and some processed items are the major exporting items. It shows the 27 per cent negative trend in agricultural performance. In 1995-96 share of above commodities in total agricultural export was 52.71 per cent. It increased upto 53.12 in 1996-97. Then again decreases in 1997-98 upto 41.89 per cent that was good for the economy. In 1998-99 this per centage was 40.48 and was 27.60 in 1999-2000.

The developed nations want to develop new seeds from genetic resources (breeding). India will be benefited when India convince at WTO that a royalty should be given by developed nations to India for development and patent of developed seed, when they (developed nations) use costly genetic technology by which they want to produced costly seeds and earn profit because these seeds are India's natural resources. The developed nations do not have their own original developed seeds. Thus India demand to share the gain of developed seeds. Then Indian farmers will gain and India may become the larger exporter of seeds. These will improve the country's rural employment and safeguard the food security. On the negative side, to avail this advantage India has to either adopt the patent law or effective "Sui-generis".

Subsidy reduction requirement under WTO is not applicable to countries like India. According to WTO rules, countries having less than

\$ 1000 per capita income annually do not fall under the subsidy reduction requirement. India does not come under the purview of reduction in agriculture subsidy because at present the total subsidy in India is around 5 to 6 per cent. On the other hand the new agreement limits subsidy to farmers upto 10 per cent. In India the subsidy to farmers is only 5 to 6 per cent. Secondly, the amendment in the patent act exempts the seed and farm products. The new agreement allows that India exempted from patents of farm products for 10 years.

Developing countries including India, would find it difficult to gain market access, particularly in the developed country markets, because of the health and safety (sanitary and phyto-sanitary) standards that would be imposed very strictly as per the agreement. Most developing countries do not follow any health and safety regulations and the lack of any standards may result in barrier to gaining market access. Last year a large consignment of grapes from Maharashtra was returned by a European country with the argument that the pesticide residues in the fruits were too high. The actual reason was the glut of table grapes in European countries. Some years ago, Indian tea faced a ban in Germany also because of high levels of chemicals. The real reason was because of foreign policy considerations, Germany had to buy tea from other countries in Africa and Asia.

The implication of agreement expected to affect in long run on balance of food, agricultural self-sufficiency, agricultural products prices,

consumption pattern, etc. Requirement of providing protection to plant variety either through patent or sui-generis system give rise to additional input costs by limiting domestic support level, this may adversely affect the plan of increased in agricultural production and creation of export surplus.

India has submitted its proposals to the WTO for current negotiations on AoA in area of market access, domestic support, export competition and food security. She has submitted its proposal on market access with other 11 developing countries in which a demand was made for tariff reduction, all distorting domestic support must be reduced and export subsidies must be eliminated by developed countries. The Government of India had discussions with all State Governments, academicians, farmer organisation, agricultural universities etc. It had collaborations with Ministry of Agriculture and NGOs (Non-Government Organisations) at Ahmadabad, Cochin, Kolkata and New Delhi.

Department of Commerce, Government of India is in process for finalising its proposals on issue of Market Access. Domestic Support and Food Security to be put before WTO, by this our nation will seek to increased market access opportunities, flexibility in domestic support for safeguarding the food and livelihood of our people.

Impact of WTO Agreement on Minor Forest Produce

The tribals constitute the most disadvantaged section of the society

based on per capita income, literacy rates, nutritional and health status and lack of access to social and technical services. Approximately 90 per cent of the communities that live in and around India's forest areas of 63.3 million hectares, occupying 19.3 per cent of the landmass of the country, are mostly tribal people. A substantial portion of around 37.27 per cent Indians live below the poverty line in the rural segment and out of this the tribal people constitute 51.94 per cent. The livelihood of these tribal people is dependent upon the Minor Forest Produce (MFP) including medicinal plants. As per the document of the World Bank "Alleviating Poverty through Participatory Forestry Development" co-authored amongst others by Shri Naresh Chandra Saxena, several thousand tonnes of MFP are removed annually from the Indian forests providing earnings that run into billion of rupees each year. It is estimated that income from MFP to the state exchequer is about Rs. 6.5 billion, which is a significant contribution from this sector to the GDP and the national economy. As per this document about 60 per cent of the minor forest produce go unrecorded which is consumed or bartered by about 15 million people living in and around forests.

In addition, the minor forest produce does not have organised markets where the tribal collectors, the sellers could transact business on fair or equal terms with buyers in the trade and they are therefore exploited by the middlemen and the traders. The bargaining position of the tribal collector/grower of MFP is poor due to the remoteness of the

area in which he lives, his ignorance, poverty coupled with lack of effective organisation among the tribals. In the absence of any organised market for transacting the business on the one hand and the quantitative restrictions on imports having been lifted, the exploitation of the tribals at the hands of the market forces would increase in view of being competitive against the stocks of foreign origin mainly cheaper synthetic substitutes³.

Impact of WTO on Indian Textiles and Clothing

Textiles and clothing industry occupies a unique position in the Indian economy. It is the largest exporting industry, contributing about 38 per cent of India's total exports and employing over 50 million people. It is also regarded as the largest contributor to gross industrial product, estimated at 20 per cent. Textiles sector comprise mills, powerlooms, and handlooms. India has the second largest consumer market consisting of more than 220 million middle income people. 1/4 of total land is under cotton cultivation in India. India has bilateral agreements with Canada, the EU, Norway and USA covering around 64 per cent of its total export of texprocil and clothing. The Ministry of Textiles announces quotas policies for a period of three years. The institution responsible for quota allocation are Textprocil and the Synthetics and Rayon Export Promotion Council for textiles and the Apparel Export Promotion Council for clothing. Quotas are allocated on the basis of the applicants' export performance over the base period.

The MFA opens up many opportunities and challenges for developing countries like India. India is the lowest at 9 per cent of the total cost of the production while the waste generation in other countries ranges between 11 per cent and 23 per cent. The labour cost in India is also the lowest, i.e., 3 per cent of the total production whereas in other countries the labour cost ranges between 5 per cent and 38 per cent. The highest labour cost is in Italy and Japan at 38 per cent and 29 per cent respectively. India has enjoyed the comparative advantage in the production of textiles and garments because of the abundant availability of cotton and inexpensive labour⁴.

However, in spite of these strengths, the share of India in global market is not very significant as shown in the following table-6.4.

Table- 6.4

India's Share in World Trade of Textiles and Clothing

Year	Textiles and Clothing		
	World Exports	India's Exports	India's share in world exports (%)
1990	2,12,560	4,710	2.216
1994	2,70,640	7,530	2.782
1995	3,07,680	8,460	2,750
1996	3,16,520	9,153	2.892

Source: WTO Annual Report, 1998.

Table-6.4 reveals that India's share in the world exports is increasing but the expansion has been marginal considering the fact that India has lowest cost because of plenty of cheap labour and adequate availability of cotton. Textiles and clothing exports rose from \$ 4,710 million in 1990 according for 2.2 per cent of world exports to \$ 9,153 million in 1996 closing a share of 2.8 per cent in global textiles and clothing exports.

The WTO agreement on textiles and clothing states that the Multi-Fibre Agreement (MFA) eventually be eliminated MFA at present groups the major countries like United States, Austria, Canada, the European Community, Finland and Norway who imposed/ apply restrictions by way of quota. Exporting countries like India is a part to the MFA. The phasing out of MFA will boost textile from India. It will also increase investment in textiles and joint ventures, but the risk is that when India opens-up its market, the import of textiles and clothing will considerable increase from countries like China, the United States, Taiwan and Indonesia. This will force to many textile manufacturers to either modernise their mills and improve quality of textiles or phase out. Another threat is that the rich countries are trying to bring child labour, environmental issues in the picture to contradict the MFN treatment to WTO member countries because India strengthen its areas of comparative advantage in textiles and clothing.

Impact of WTO on Trade Related Intellectual Property Rights

The most controversial area of this agreement, from India's point of view, is the patent. The implementation period for India begins from 1995 and ends by 2005, India must grant product patents over pharmaceutical and agricultural chemical products. The patent terms will run from the date of the application filed to 20 years thereafter.

The provision for Intellectual Property Rights (TRIPS) is a crucial area of the Uruguay Round of Trade Negotiations. It has far reaching implication for developing countries including India. Under the new agreement, inventor's rights widely cover patents, trademarks, copyright, industrial design, layout of integrated circuits, geographical indications and trade secrets. The phasing-out period is specified as 10 years for drugs and agro-chemicals and 5 years for the rest of the products. There are opportunities, for instance in next few years many products, like drugs, software package etc. will become very expensive for our country. The Indian software industry will be blocked unless the government modifies the present duty structure and encourages Indian companies to develop software packages. However, the Indian skilled personnel in software industry expected assignment from foreign countries by easing of restrictions on their movement in the US and other developed countries. After TRIPs, software piracy will come down and this will be an opportunity for Indian professionals to develop new original packages and sell them in the global markets.

The TRIPs will also create adverse effects on pharmaceutical industry in India, when new discoveries would become available at very heavy cost of royalties. According to the new agreement, when the product patents will be brought into force in the year 2005 in the developing India, drug prices will increase. The indigenous pharmaceutical industry following the process patent will be in an adverse position. The Union Commerce Minister Mr. Pranab Mukherjee felt that a pragmatic drug policy by the government can help. Efforts should be made to search the condition (reputation) in western market for generic products, whose patents have expired. The Indian drugs also give attention in finding of new chemical molecules useful in the treatment of tropical disease like malaria, cholera and typhoid. Indian pharmacists should also develop Ayurvedic drugs as an alternative form of medicine. Then India can hope to increase the exports of generic, tropic and ayurvedic drugs to many countries under WTO agreement. This will help in rational and pragmatic drug policy by the government.

Under TRIPs seed will be patented by which the input costs of Indian farmers will increase. Thus food grain price will go up and Indian consumers will be adversely affected.

The Council for TRIPS has held several meetings during the years 2000-2001. India has actively participated in these meetings. Discussions under agreement continued during the year. These include review of section on geographical indications, patents on life forms, violation complaints, review for implementation of the agreement etc.

India has amended its, Intellectual Property Right laws relating to copyright, trademark, industrial designs, layout designs of integrated circuits and geographical indications, to meet its obligations under the Agreement. Bills relating to "Amendment to the Patent Act, 1970" and "Protection of Plant Varieties and Farmers 'Right' are before the parliament.

Impact of WTO on Indian Pharmaceutical Industry

Delicensing and tariff reductions have a major impact on the drug and pharmaceutical industry. On the one hand the drug manufacturers are now free to manufacture and export any quantity of drugs, but on the other hand they are being hit by foreign competition. Production costs remain high. Therefore, the incentive is to import drugs rather than manufacture domestically. Small producers are importing raw materials and formulating the drug locally. The result will be that they are unable to compete with influx of cheaper imports. So the small manufacturers are struggling to survive without protection.

From the industry point of view, these are forced to increase productivity and lower cost of production. Liberalisation has exposed the industry to international competition. Consequently Indian industries unable to compete with major global players and specially small scale units slowed down production and diversified their business into non-pharmaceutical products. The drug manufacturers which do not like the Drug Price Control Order (DPCO), even in 1994 only 73 drugs

were under the DPCO. The big companies such as Ranbaxy have the resources to invest in joint ventures with foreign multinationals while the small sector having a limited resources will be delimited to the production of generic drugs. If these trends continues, there will be no indigenous innovation, creating a unchange, industry in the coming years.

Impact of Patent Protection on the Pharmaceutical Industry

The pharmaceutical industry is under great adverse influence in the work of patents provisions imposed by the WTO. The implication of the WTO regulations on various aspects of the Indian pharmaceutical and drug industry are analysed below:

I. Impact on Price Rise

The main impact would be on the prices of the medicines, which would be increased several times much more than earlier. Today we have a process oriented patent system under which a patent holder can not prevent to another person from making a drug by another process. If new GATT treaty is accepted, the price of drugs will go up by five to ten times. Because of high prices only 10 per cent of India's population will get availability of modern drugs.

The other effect due to new patent systems will be that the producers who have patent rights on the drugs will restrain other producers from producing the same drug creating a demand and supply

gap. Thus the producers and multinationals who have monopoly, will charge high prices which will be difficult for poor people to afford. The increase in the prices of drugs which are marketed by the same MNCs are illustrating the price comparison of four countries as shown in the table-6.5.

Table-6.5
International Comparison of Prices of Medicines

Drug/Brand	Company	Dosage & Pack	India	Prices in		
				USA	U.K.	Pakistan
1. Reindicting/ Zincate Times Costlier	Galaxy	300mg 10's	29.03	744.65 (25.6)	481.31 (16.5)	260.40 (9.5)
2. Diclofenac Sodium/Voveran Times Costlier	Ciba	50mg Geigy 10's	5.67	239.47 (42.2)	95.84 (15.2)	55.80 (9.8)

Note: (a) All prices are converted into Indian Rupees
(b) Figures in brackets denote the order of difference in prices vis-a-vis India.

Source: National working group on patent laws.

Table-6.5 shows the high prices of medicines. For example the Reindicting/Zincate's prices in India were Rs. 29.03 but the same was available in USA, U.K. and Pakistan at Rs. 744.65, 481.31, 260.40 respectively. In case of Diclofenac Sodium/Voveran India, USA, U.K. and Pakistan had prices of Rs. 5.67, 239.47, 95.84, 55.80 respectively. The USA was charging the highest prices in comparison to UK, Pakistan and India, besides India's charges were lower than others.

The high prices in the countries (USA, UK and Pakistan) are due to product patent system which is prevailing in these countries as compared to the process patent prevailing in India at present. Hence the product patent will push-up / increase the drug prices in India to a considerable extent when India accepts product patent system. On the other side Indian producers may not compete with MNCs. Thus the growth of the Indian industry will be harmed by recent WTO agreements. A recent study shows that the prices of many life saving drugs have gone up steeply. In our country before the WTO agreement drug prices were being decided by the need of our people, pattern of diseases or by the purchasing capacity of the people. With the emergence of WTO's TRIPs now the prices will be determined by the profit motive of an industry leading to inflated drug prices. Table-6.6 shows the prices of some essential drugs from 1995 to 1998.

Table-6.6
Increase in the prices of Drugs

Name of drug	For treatment	Packing	Price		Per centage increase
			1995	1998	
Diazepam	Depression	10	3.13	9.50	204%
Ampicillin	Antibiotic	4	12.85	23.15	80%
Cephalexin	Antibiotic	10	45.07	113.15	151%
Ethambutol	Anti T.B.drugs	10	5.92	33.00	457%
Rifampicin	-do-	10	24.00	64.00	167%
Pirazinamide	-do-	10	17.01	46.95	176%
Lignocaine Hcl	Anaesthetic	30 ml.	4.16	12.40	198%
Promethaxine Hcl	Anti allergic	10	1.25	3.23	158%
Antacid liq.	Gastritis	200 ml.	13.00	23.00	77%
Oxyfedrine Hcl	Angina pectoris	10	10.44	21.41	105%
Discopyramide					
Phosphate	Cardiac problems	10	16.50	50.46	206%
Dipyridamole	Anti angina	10	2.00	4.73	137%

Source: By the courtesy of General Secretary of Federation of Medical & Sales Representatives of India.

Table-6.6 shows that there has been increase in prices of some drugs during 1995-98 which is due to the implementation of WTO agreements. The table also shows that highest increase is in Ethambutol i.e., 457 per cent. The prices of Antacid liquid has increased but lesser than others i.e., 77 per cent over 1995.

Further under WTO agreement, the imposition of products patent regime, the prices of all new drugs (patented) will go up without any control of domestic law. The DPCO become irrelevant and people's

market access to newer drugs will be restricted only to the rich countries. Today India is under-pressure to provide market access to foreign companies while for India's export of its drugs to western markets is increasingly becoming harder due to non-tariff barriers in the form of social and environmental regulations. This is one way of undermining the India's comparative advantage in labour cost and lower prices in case of drugs.

II. Impact of Availability of Drugs

Due to patenting system availability of new drugs from indigenous sources would be reduced because the domestic industry cannot produce, at high cost of technology, cost of patents, and product has already patented by multinationals which used in production process. Thus India's dependence on imports is likely to go up.

III. Impact on Medium and Small Scale Pharmaceutical Sectors

The existing industries in medium and small scale sector face serious degrowth because they have no possibility of developing newer products. Even for the existing products, new patents will be implemented. It is difficult for these industries to market their existing products because they have paucity of fund. So they can not patent their products.

IV. Impact on Technology

In comparison to multinational technology, India's technology is obsolete. Multinational companies provide their product with new

technology at low cost at a considerable extent. It means that if India used obsolete technology, its cost will be higher than multinationals. Consequently Indian drugs will not be competitive in international market. Even the purchase of latest technology is exorbitantly expensive affair the Indian firms may not afford. Further even if some of the organisation may afford, still it is less likely that the MNCs would provide/ share the latest technology.

On the other hand most of the multinational companies are present in India and have equity participation in their Indian counterparts. With the policy that permitting multinationals to increase the share-holding, they make their interest in bringing their latest technology to manufacture additional bulk drugs to improve these facilities. Hence, indigenous sector have better opportunities to enter into technical collaboration with the firms underrepresented in India.

V. Impact on New Drugs

Most of the new drugs during the last five years which covered by patents are manufactured by imported bulk drugs. This will lead to rely on technical collaboration agreement with multinational companies.

VI. Impact on Research and Development

To establish an identity in the international market, research and development activities should be strengthened with substantial investment by Indian industries. The impact on Indian domestic research

and development activities would be effected. Paucity of funds particularly in drugs and pharmaceutical industries, research in both, public and private sectors are likely to suffer specially research concerned with process technologies as there are no more takers of process technologies in the new patent regime. For product patents (basic research) India does not have the funds of the infrastructure to match and compete with the MNCs.

VII. Impact on Employment

With the reduction of tariff barriers in foreign imports many drug's manufacturers in India have lost their existence in competition of the foreign firms. As a result of this, the owners of Indian factories closing down their units and throwing the workers out of employment. Messrs Boehringer Mannheim, and Parks Davis who were only the producers of Chloramphenicol in India stopped their production because its prices in the international market were cheaper than the cost of production in India M/s. Sarabhai chemicals also closed their Vitamin 'C' for the same reason. Like Chloramphenicol and Vitamin C, many other drugs like paracetamol, metronidazole, ampicillin, amoxycillin, etc. are available at a cheaper price in other countries when compared the prices in India. So Indian factories have closed and worker are on the street. For the use of above drugs our country is ensuring demand-supply gap through imports. Hindustan Ciba, Roche, Abbot, Boehringer Mannheim, Park Davis, Boots etc. have close their factories and offered a voluntary

retiring scheme to workers and sold the land of their factories. Other factories like Pfizer, Rhone Poulenc, Glaxo etc. have also reduced their work force. Crores of rupees have been spent to give VRS. Some of the companies opened new smaller factories in new places and appointed to the workers at lower wages and more workload.

The another impact of TRIPs is that the animals like cows, fruits like mangoes, trees like neem, spices like haldi would be patented by MNCs. The local producers will have to wait for 20 years when the current patented tenure expires. Before the time when they can start to manufacture the product, its product's value will probably undermined by the new product in the market.

Impact of WTO on General Agreement on Trade in Services

One of the most growing areas of activity is the service sector today. Traditionally, apart from financial, communication and tourism new parts of service sector such as environment, education and counselling are emerging service sector which has led to a world boom in respect of services which can be seen from the following table-6.7.

Table-6.7**Share of Service Sector in GDP (Per cent)**

		1980	1999
1.	India	36	46
2.	Pakistan	46	49
3.	Bangladesh	34	50
4.	Shri Lanka	43	52
5.	Nepal	26	37
6.	Hong Kong	49	85
7.	Singapore	61	64
8.	Korea	45	51
9.	China	21	33
10.	Argentina	52	67
11.	Brazil	45	61
12.	Maxico	59	67
13.	South Africa	43	54
14.	Kenya	47	61
15.	USA	64	74
16.	Japan	54	62
17.	France	62	74
	World	55	63

Source: World Development Indicators - 1998, 2001.

The above mentioned table-6.7 reveals that India's share of service sector in gross domestic product increased from 36 per cent in 1980 to 46 per cent in 1999 and the world's share increased from 55 per cent

to 63 per cent over 1980. The table also highlights that the USA has the largest share of services in gross domestic product and China has the lowest share in gross domestic product. Hong Kong registered the largest share of services from 1980 to 1999 in comparison to other, Singapore and Pakistan registered the lowest growth between 1980 to 1999 as compare to other countries.

In the last two decades, the service sector has expanded rapidly all over the world, though by comparison, in India the growth has not been so pronounced. Generally speaking, the developed countries have dominated this expansion of services, accordingly for three - quarter of the world services output. In 1997, service sector output was valued 6.1 trillion \$ or 61 per cent of global output of goods and services. The sector constitutes more than 60 per cent of economic activity in all OECD countries, correspondingly the services today constitute over 50 per cent of economic activity in developing countries which is significantly more than the traditional sector such as agriculture.

India's place in the globalisation can be seen from the fact that in 1999-2000 India's total services trade was estimated at about \$ 30 billion. One important method for developing the service sector is to allow FDI into Indian economy. The Justification is that the requirement for capital for upgradation, expansion and modernisation of most services is so large that we just do not have resources to invest in them. FDI will also be beneficial in the area of infrastructure and health.

In the Health Sector, FDI would help upgrade standards in hospitals and bring in technology and better management practices. Although, there is possibility that good doctors will leave government hospitals and join the foreign ones for higher pays and more attractive working conditions. This will create an internal brain drain. However, on the same count it would be wrong to deprive the health sector of FDI since there will be an overall improvement of standards in health care. In some sectors FDI must be welcomed.

We seem to have a mental block about making commitment under the GATS framework of the WTO. For instance, we allowed 55 per cent foreign equity participation in Software Services in WTO commitment but in practice, we allow upto 100 per cent. The software industry is one of the fastest growing service sector in the world and also in India. The Industry comprises software implementation services, consultancy, system design, analysis, maintenance, and supportive services. The growing trend towards foreign collaboration in software sector is one of the reasons for India's strong performance in software exports. We have a large exports of software and there is also a large inflow of FDI into software sector.

We should now concentrate on the development of new professional services such as legal services, accounting, architecture and design, construction and engineering and educational services.

Educational Services- India has to pay serious attention to GATS agreements as applicable to education services, identify opportunities and competitiveness in various sub-sectors and negotiate commitments accordingly.

There is vast potentialities in all levels of education, i.e. primary, secondary, higher education, distant education, education testing services, education materials, on-line courses, editions of books and sale of education CDs etc. It also involves the services generated by movement of students and teachers for the sake of education. The actual presence of educational service providers each as university or its service brands will also generates services.

It must be understood that GATS does not make mandatory for member countries to open up all segments of education. Based on perspectives, gains, specific segments can be opened up in phased manner.

We may commit to all modes of trade in higher education as well. However, it must be borne in mind that India will have to actively seek niche markets for India-Specific Knowledge Programmes. Moreover, infrastructure upgradation of our premier and import-competing institutions must be done on priority basis, so that they can effectively compete with foreign institution based in India. Again, for this purpose, India must propose liberalisation. A transition period of six years is

needed to bring our priority institutions on par with the foreign institutions in terms of infrastructure and facilities.

Banking Services- As important constituents of the financial reforms strategy adopted in 1990s has been the opening of the economy to foreign investment-both direct and portfolio. As reforms gathered momentum particularly the current account convertibility in 1994-95, foreign direct investment (FDI) and portfolio capital flows began to predominate over other form of capital inflows. India is also looking for ways of improving competitive conditions in domestic financial sector to raise efficiency by attracting more foreign capital inflows, particularly more long-term equity investment. The Banking sector in India currently suffer from a number of weaknesses such as higher costs, poor management, trade unions pressure, political interference and unprofitable branches. A likely benefit from joining a binding multilateral regime would be to loosen the banking sector from grip of powerful interest group.

The WTO recognises four different modes of supply through which trade in financial services can occur. They are first, 'cross border supply'- whereby domestic consumer buys financial services from financial institutions located abroad, second, 'consumption abroad' - whereby a consumer can purchase financial services while travelling abroad, third, 'commercial presence' - whereby a foreign bank or any financial institution establishes a branch or subsidiary in the territory of a country

and supplies financial services, fourth, 'movement of natural persons'- whereby natural persons supply a financial services in territory of a foreign member country.

The entry of foreign financial institutions will impact our domestic financial sector, as follows:

- The entry will lead to improvement in our banking sector, efficiency through reduction in profitability, lower overheads expenses and interest margin for domestic banks.
- It would bring a variety of new financial product, better risk management techniques, state of the art technology and better regulations and supervision.
- It would put pressure on domestic supervisory staff to augment their quality and size of services.
- There would be erosion of franchise value of domestic market.
- Less finance will be available to disadvantageous segments of economy including farmers and small firms.
- Quick dominance over domestic banking market, and acquisition of domestic banking institution by foreign banks.
- Ultimately leads to concentrated ownership of foreign banks on our banking sector.

Keeping in view the negative and positive impact of foreign banks' entry in domestic market, we must undertake internal reforms in our banking sector and upgrade them with technological and managerial advancements, although there are apprehensions regarding FDI in financial sector as we do not have convertibility on capital account.

Cross Border Movement of Labour

Globalisation has set in motion in forces, which are creating a demand for labour mobility across borders as developing institutions on supply side to meet this demand. The movement of labour from countries where there is a labour surplus to countries where there is a labour shortage. The WTO has overlooked this issue as this can be beneficial for developing countries.

There is a potential conflict between laws of nations that restrict the movement of labour across the borders and economics of globalisation that induces the movement of labour across border. So there must be some equivalent of WTO concept of 'national treatment' for migrant labourers. The issues regarding legal migration, exploitation of foreign workers, their conditions of employment, workers remittances, work permits, employment benefits and appropriate safeguards measures are to be framed.

In WTO rules for service sectors, two obligations are applied to all services. These are the Most Favoured Nation (MFN) treatment from

service suppliers of one country must be extended to service suppliers of another countries and transparency by way of publication of all news and regulations. It means that the services like banking, insurance, investment banking, health and other professional services that are opened up will be bound by the WTO commitments.

So, India will have to open-up its service sector to other WTO member countries. This will result to entry of overseas service providers into the service sectors in the country which might check the growth of domestic enterprises.

The GATS agreements has the potential to open up all aspect of a national economy to foreign competition. There are several income generating services include brokerage, communications, non-merchandise insurance, leasing and rental equipment, technical and professional services. Today the most encompassing and growing area of activity is services sector. Traditionally we have been thinking all these services but the present development has crossed these boundaries. Nascent and emerging areas such as environmental, educational and counselling services are also part of this emerging sector. We have opened our economy in service sector. The main objects are as follows:

1. For increasing economic performance.
2. For development.
3. For consumer savings.
4. For faster innovation.

5. For greater transparency and predictability.
6. For Technology transfer.
7. For better growth of employment.

To achieve these objects India has submitted a proposal on the movement of natural persons as it is an issue of interest of India. The Doha Declaration recognises the work already under taken negotiations including a *large* number of proposals submitted by members on a wide range of sectors and several horizontal issues as well as on movement of natural persons. The time schedule as per the Ministerial Declaration for initial requests for specific commitments and initial offers are 30 June 2002 and 31 March 2003 respectively.

India's Share

India's services sector is not as under developed as many other developing countries have yet in terms of new agreement, it will be required to denationalise insurance and banking. thus the banking sector may not be able to play a positive social role as it has been playing since 1969. When 14 major banks were nationalised. Foreign firms will now be free to expand their network in the Indian services sectors. They will also be free to remit resources to their parent country in the form of projects interest Royalties etc. All this will involve a foreign exchange burden on India, as far as Indian firms are concerned they will find it difficult to compete with the firms supplying services in the developed countries.

In 1997 services sector output was valued at \$6.1 trillion or 61 per cent of global output of goods and services. The sector constitutes more than 60 per cent of economic activity in all OECD countries. Correspondingly in services today constitute over 50 per cent of economic activity in developing countries. Table-6.8 gives a clear picture of service exports of some selected countries.

Table-6.8

Service Exports of Selected Countries of the World

Country	<u>Exports US\$ million</u>				<u>As % of World Exports of Services</u>	
	1990	1999	1990	1999	Per centage increase in 1999 over 1990	Annual Average growth rate (1990-99)
India	4,609	13,940	0.60	1.1	202.5	20.25
China	1,786	3,701	0.23	0.29	107.2	10.72
South Korea	9,155	24,822	1.19	1.95	171.1	17.11
Mexico	7,222	11,829	0.94	0.93	163.8	16.3
World Exports	766,353	1,271,417	100.0	100.0	65.9	6.59

Source: Compiled and computed from the data provided on World Bank, World Development Indicators (2001)

Table-6.8 represents that in 1990 India's share in world services export was 0.60 per cent and it rose to 1.1 per cent in 1999. It is a significant improvement. In absolute terms services exports rose from \$ 4609 million in 1990 to \$ 13940 million in 1999, showing a thrice-fold increase over 1990. The annual average increase in services exports

works out to be 20.25 per cent for India. The performance of India in services exports is better due to a sharp increase in software services.

Emerging Possibilities

We can increase our trade of services. One important method for developing the service sector is to allow more FDI into the Indian economy. The justification is that the requirement for capital for upgrading, expanding and modernising most services is so large that we just do not have the resources to invest them. For example in the telecommunication sector the government and domestic private players taken together would not be able to garner the necessary capital for investment. In some cases foreign investment is required for concomitant technological and managerial expertise, which may not be present in India, FDI will also be beneficial in the area of infrastructure, health and tourism. According to the world Travel and Tourism Council tourism is the world's largest employer accounting for one in ten workers worldwide. According to IME data for 1999 tourism exports, estimated at US\$ 443 billion, were 33 per cent of global services exports and 6.5 per cent of total exports.

Tourism has emerged as an instrument for employment generation, poverty alleviation and sustainable human development. During 1999-2000 direct employment in the tourism sector was estimated to be 15.50 million. Tourism also promotes international understanding and gives support to local handicraft and cultural activities. Foreign tourists arrivals

during 2000 were 26,41, 157. India's share in the world tourist market was 0.38 per cent. Foreign exchange earnings from tourism during 2000 were estimated at Rs. 14,475 crore. There are great possibilities for development of tourism and other service areas industry in India, due to GATS.

Trade Related Investment Measures

These measures assure free entry (competition) for foreign as well as Indian companies on the same terms and conditions. It means Indian companies will have to compete with the MNCs on the basis of survival of fittest. It is clear that many small scale companies will disappear in future and big companies will also choose the strategy to survive with MNCs in the changed global competitive environment. As the foreign enterprises can set their business, there may be an increasing possibility of takeover and acquisitions. On the other hand foreign investment lead to foreign exchange earnings and better technology in the country.

Implications of Removal of Quantitative Restrictions (QRs)

Quantitative Restrictions are imposed by the nations to curb imports. The other way to restrict imports is by imposing tariffs. But it is clear that quotas hurt the economy more than the tariffs. Lifting of QRs however does not mean completely free trade. The government has option to hike the tariffs on any item it wishes to protect. Quantitative Restrictions at present apply to about 2700 items, out of which 800

are agricultural commodities. Removal of QRs will promote both the exports as well as the imports. The idea behind the trade liberalisation is to shift production to the areas where resources are more favourable. Lifting of QRs will also affect small scale industry sector (SSI). Reservation of about 700 goods exclusively for the SSI sector would be rendered meaningless. High import duties may not be able to block their entry into the country. The reservation of these items for SSI was to provide protection to them against the domestic large-scale industry. After lifting the QRs, SSI would have to compete with the domestic large scale industry in addition to the cheaper imports from other countries. More than 31 lakh SSI units with a total annual output over Rs. 50,000/- crore and employing about 172 lakh people constituting the backbone of Indian economy are seriously concerned over cheaper imports from developed countries.

Impact of WTO on Information Technology

Under information technology agreements of WTO, Indian hardware and software companies can become major players in value added system. The availability of highly skilled information technological personnel and low cost of labour will allow India to compete in the international market.

Impact of WTO on Liquor Companies

Indian liquor companies are anxious. Currently the import tariff is pegged at 233 per cent. But under WTO regulations, the government will be forced to cut import duties on foreign liquor brands. This will affect domestic liquor companies. Thus domestic liquor companies press the government to allow the present tax structure continue till 2003 and then reduce it in a phased manner to 150 per cent by the year 2006. But the multinational liquor companies like Seagram, Bacardi-Martini and UDV are in favour of lowering the import tariff along with the removal of quantitative restrictions. The Indian company's fear is that multinational liquor firms will flood the Indian market with cheap and second hand products when import curbs are removed. So, it is a threat to the Indian domestic industry and they are not sitting cool. They are struggling to meet the global challenges when Indian markets open up. They are making new business plans to survive local brands ultimately.

Impact of WTO on Small Scale Industries

WTO is directly dealing with Small Scale Industries (SSIs) as it talks about the enhanced efficiency through better fixation of various factors of production and increased welfare at a global level by demanding the goods in large quantity between countries, making an identity of SSIs, better working conditions with fair wages and other agreements which helps in fair market access like anti-dumping and countervailing measures.

Market access through efficiency is the main theme of WTO agreements. However, the indirect affect (action on another industry lead to effect on SSIs) of the WTO agreements will effect the Indian SSIs.

Agreement on market accessibility reduce the tariffs and non-tariff barriers. This means that import of goods will increase competition in all products because there is a huge gap between the Indian technology as well as advanced country's technology. People wants to buy new technological products with lower cost. Thus this may results Indian items non-competitive.

The agreement on Sanitary and Phyto-Sanitary measures likely to effect the agro based and dairy products. Developed world markets are highly standardised in these measures which is difficult for developing nations because it erquires heavy investment which may ultimately prove to be a barrier to gaining the market access. The environment measures also effect the Small Scale Enterprises (SMEs) because they produced the products with obsolete technology which is not environment friendly. The issues related to labour standards would also effect the export market of garments, carpets, brassware, handicrafts etc. where larege number of child labour is employed in India.

Thus because of WTO it has become difficult for many Small Scale Industries to survive who are facing tough competition from cheap imports particularly from China and on the other hand SSIs are facing

stiff competition from big Indian companies which has caused sickness in the Indian SSIs, because China is one-fifth in the total population of the world. It has a large market and lower cost because of economies of large scale production from large scale industries. These factors may cause industrial sickness in SSIs. Following table-6.9 shows the sickness in SSIs increased from 1995 to 1999.

Table-6.9
Sickness in SSI Sector

Year	Total Sick units in number	Change in sickness in per centage	No. of viable units	Proportion of viable units. Total units in per centage
1995	268,815	5	15,539	5.8
1996	262,376	10	16,424	6.3
1997	235,032	-10	16,220	6.9
1998	221,536	-6	18,686	8.4
1999	306,221	38	18,692	6.1

Source: Annual Report 1999-2000, Ministry of Small Industries and Agro and Rural Industries, Government of India

It can be seen from the table-6.9 that as the number of total sick units increased to 306,221 in 1999 from 268,815 in 1995. The number of viable units also increased from 15,539 in 1995 to 18,692 in 1999. There has been increase in sick units from 5 per cent to 38 per cent over 1995 whereas the viable units have shown a marginal increase

i.e., 5.8 per cent in 1995 to 6.1 per cent in 1999. All this clearly reveals that the sickness in SSI sector has increased more rapidly as compare to viability because of WTO agreement.

Impact of WTO Challenges on Indian Dairy Farmers

Dairy is one of the sector which is affected by WTO. During the negotiation in 1985, India failed to bargain and agreed to allow import of milk and milk product under zero per cent based duty. This is because the developed countries provide subsidies to their farmers, so their prices of dairy products were low whereas, Indian dairy products prices were high. In 1999 Indian traders imported 10,000 metric tonnes of milk powder and in the year 2000, India was threatened by the arrival of fresh milk in Mumbai from New Zealand at the landed cost of Rs. 9 per litre as compared to Rs 14-16 in India. The government of India imposed heavy duty on milk in the budget of 2001, but this duty will have to be abolished before the year 2006 under WTO agreement and we have only 5 years to gear-up ourselves for international competition.

India's main problems are high cost of milk production, poor quality, poor preservation, packaging and unhygienic milk handling. Its cost is high because the average milk yield of Indian cow is only 987 Kg. as compared to 6273 Kg. in Denmark, 5289 Kg. in France, 5462 Kg. in U.K., 5938 Kg. in Canada, 7038 Kg. in USA and 11000 Kg. in Israel. The milk is unhygienic because of poor health of animals, polluted food and water and unclear surrounding in the farm. Chemical drugs also

affect the quality of milk. To make the quality of milk conform international standard, India should reduce cost of handling, maintain hygiene and add the value to product. Emphasis should be laid on preventive health care and curative aspect and quality of food should be checked, it should be free from pollution. All these aspects can help us to face the challenges of imported milk products⁵.

The implications of WTO Agreements on various fields will be wide and varied. Though it may succeed in freeing trade and globalisation to an extent, but it will create a 'imbalance growth' of world economy. It may also pave a greater way for the growth of economic 'imperialism' of a developed industrialised nations world over. The developed countries had exploited natural resources of developing countries and earned a lot. Comparatively they are advanced in technology, managerial skills and financial backup etc.

Overall Impact of WTO on Indian Economy

What India gained from WTO may be understood from the performance of its various sectors and failures of Indian economy under WTO regime. Indian Economy and the contribution of both the secondary, tertiary sector to GDP rising as compared to the primary sector. The faster global linkage of Indian economy is also witnessed in 1990s as compared to 1980s and more so during the second half of 1990s. Structural changes has also occurred in India's trade moving towards the increasing share of manufacturing goods during the post WTO era. The GDP growth rate under WTO is also not disappointing.

From this it appears that the Indian economy has been benefited much from WTO. The true picture may be discovered from the annual percentage change, which shows pessimistic developments in the post 1995 scenario. The table-6.10 reveals the structure and growth of Indian economy by major sectors from 1981-82 to 1999-2000.

Table-6.10

Structure and Growth of Indian Economy by Major Sectors; 1981-82/1999-2000
(At constant 1981-82 Prices)

Year	% Share to total GDP																												
	Primary			Secondary			Tertiary			% share to GDP % share to Total Export				Annual Percentage Change (%)															
														Primary			Secondary			Tertiary			Total						
														Exports			Imports			Agril			Mfg.			Total Exports Imports			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
1981-82	38.04	21.39	40.57	6.01	10.48	26.35	48.00																						
1982-83	36.44	22.19	41.37	6.27	10.17	23.84	50.06	-1.22	6.92	5.14	3.10	7.51	0.13																
1983-84	37.33	22.38	40.29	5.98	9.69	22.27	47.76	10.81	9.11	5.36	8.18	3.21	3.01	-3.59	-1.53														
1984-85	35.94	22.94	41.13	6.50	9.48	20.31	43.07	-0.04	6.44	6.00	3.84	12.89	1.65	2.95	1.79														
1985-86	34.63	23.02	42.35	5.55	10.01	25.74	57.65	0.29	4.46	7.17	4.08	-11.15	9.88	12.59	18.92														
1986-87	32.63	23.79	43.57	5.75	9.28	21.73	52.66	-1.73	7.78	7.30	4.28	8.01	-3.40	-8.80	-1.34														
1987-88	31.40	24.42	44.18	6.41	9.09	19.47	51.47	0.37	7.07	5.77	4.32	16.32	2.29	4.22	13.69														
1988-89	33.01	24.14	42.85	6.96	9.71	15.10	53.72	16.33	9.37	7.32	10.65	20.13	18.13	-6.86	25.39														
1989-90	31.40	25.11	43.48	8.29	10.58	12.46	52.99	1.69	11.22	8.47	6.89	27.30	16.51	5.06	25.56														
1990-91	30.93	25.38	43.69	8.40	11.14	13.62	63.35	3.78	6.48	5.86	5.36	6.76	10.88	16.71	27.64														
1991-92	29.96	24.68	45.35	9.90	10.76	12.37	55.17	-2.34	-1.94	4.65	0.82	18.93	-2.60	7.98	3.57														
1992-93	30.19	24.47	45.34	10.42	12.30	14.87	76.97	6.07	4.35	5.22	5.26	10.76	20.34	33.13	54.53														
1993-94	29.49	24.80	45.71	11.77	12.34	16.29	77.05	3.68	7.62	7.05	6.17	19.91	6.46	31.38	20.03														
1994-95	28.77	25.59	45.64	11.68	12.71	14.56	79.90	5.13	11.19	7.59	7.76	6.92	11.02	-4.45	10.88														
1995-96	26.04	26.97	46.99	13.02	15.02	16.84	74.62	-3.00	12.92	10.32	7.15	19.47	26.63	38.21	11.57														
1996-97	27.92	27.20	45.44	13.09	15.30	17.20	75.85	11.67	5.40	1.08	4.52	5.04	6.47	1.30	6.78														
1997-98	25.98	27.17	47.23	13.01	15.42	16.09	78.64	-1.92	4.90	9.16	5.02	4.45	5.87	-2.31	8.29														
1998-99	26.07	26.36	47.78	12.24	15.62	14.52	82.46	7.16	3.65	8.05	6.81	0.47	8.19	-9.30	5.35														
1999-00	24.81	26.62	48.97	12.49	15.68	11.31	87.55	1.27	7.46	8.68	6.43	8.58	6.84	-15.48	15.28														

Source: Chadha, G.K., Indian Economy under WTO Regime.

Happenings, Non- Happenings and missing lipks, IEA conference (83 rd), volume of the millennium, Jammu, 2000, p-33.

The table-6.10, shows that there is marked decline not only in total exports and total imports but also the exports of agricultural and industrial products. The export of agro-products shows negative growth which reached to the level of 15.48 per cent in the year 1999-00. India's export performance is expected to be deteriorated during the current fiscal year because of recession in USA, Western Europe and Japan. The first two are India's major trade partners. India's Commerce Minister has slashed the export target by 8 per cent from 20 per cent to be achieved during 2001-2002. Moreover, India's share in global trade may reduce to 0.5 per cent in 2001-2002 from the current level 0.64 per cent.

Indian rupee has constantly fallen since the introduction of economic reforms in 1991. It stands more than Rs. 47 per U.S. dollar. Such "hidden devaluation" encouraging exports does not reflect real performance of our exports. India's share in total foreign direct investment (FDI) flowing into all the developing countries including China has persistently fallen from 1.9 per cent in 1995 to 1.0 per cent in 1999. The actual arrival of FDI has remained much lower as compared to the approvals has hardly exceeded 22.0 per cent. In response of the slow progress of India's manufacturing sector in the second half of 1990's the stock market has shown mostly the bearish trends particularly during recent months. Cost of living index is increasing day by day. Above all, India's public sector has proved to be the real burden on Indian economy because of its inefficiencies with little accountability.

The most depressing effect of WTO is on the displacement of our workers engaged in small and medium industries. The employment has declined in both the rural and urban sectors. According to 1998 economic census data, employment in rural India declined at the rate of 1.6 per cent during 1990s while it increased during 1980s at the rate of 3.13 per cent. In terms of total member of jobs, about 7 million Indian workers lost their jobs in both rural and urban areas during the period 1990-98. These trends are expected to take worst form, because of removal of all the quantitative restrictions on India's exports from April 2001.

The negative side of the impact of WTO on Indian economy seems to be more convincing. It failed to improve the standards of living of our people specially percolating the gains to poor section of society. The pertinent question is to identify the causes responsible for such unfavourable effects. Indeed the north-south dichotomy does not permit the gains flowing from globalisation to the developing countries in distortion free and fair manner. There is vast gap between the developed and developing economies due to the early beginning of industrialisation, access to international source of capital, innovative technology and management techniques enjoyed by the former. The gap is so wide that the latter countries are not able to compete on their own footing unless and until they are provided certain concession. The level playing field is applicable to the equal partners. It rather strengthens the gulf between

two players with totally unequal level of their growth and development. It will take long time when the developing world is in a position to compete with the developed world in a competitive manner.

The implementation of WTO agreements has placed the countries like India in perplexed situation. The opening of market under free trade pretext has enabled the developed countries to have free access in the market of developing countries while the latter continues to face several problems in the name of environment, and labour standard. They are even preventing India's exports under false arguments like child labour and fish caught while harming the sea - turtle.

While India maintained zero or low tariff on most of the imported products except beverages as compared to the negotiated tariff rate, the developed countries not only imposed higher tariff rates but also adopted other methods. These are tariff rate quota (TRQ) i.e. importing certain amount at relatively low rate and the successive amount of the product at the increasing tariff rate. They did not also reduce the export subsidy as required. In particular, the European Union extends large amount of subsidies to their farmers in order to enable them to export farm products at competitive rate in the world market. These steps has discriminated exports from developing countries.

The TRIPs, TRIMs and GATS all have carried out injurious effects on Indian economy because of the insistence on their one-sided implementation. TRIPs did not take into account India's desire for

disclosing the sources of materials used in the innovations of products. There are several plants and products such as neem and basmati rice which have Indian origin are being patented by the West without even referring to the traditional knowledge used. India adopted its own Patent ACT in 1970 pursuing innovative approach in the processes of production as well as final products. India evolved the techniques costing much less in the processes of production of many agricultural and pharmaceutical products, which are now being claimed by the developed countries.

The developed countries are also asking equal treatment to all the companies irrespective of their origin under TRIMs. It is well known fact that Indian companies face tough competition from the multinationals enjoying world wide network. The provisions of TRIMs treating multinationals on equal terms and exempting them from using local raw material and export obligations means the developing countries becoming the colonies of developed countries. Similarly, the GATS have placed the Indian service sector in a disadvantageous position. The free trade in services like banking, insurance and shipping transport and telecommunications, etc. is promoting growth in the developed countries by providing larger market in developing countries. The technology transfer clause under GATS has not benefited India much. The labour movement is restricted only to perform the particular services normally performed by the professionals of developed countries. The mobility of unskilled labour has been excluded from WTO agreements.

To conclude, there is no escape from the implementation of WTO agreements whatsoever the cost is incurred on Indian economy. It may be in terms of mergers and acquisition of Indian companies by the multinational, closure of small and medium level industries and the displacement of workers both in the rural and urban areas. India has cooperated with WTO commitments and even removed all the remaining quantitative restrictions on imports, which is likely to harm our agriculture and small-scale industries further and more so, after China joins WTO probably in November, 2001.

India should face the international competitiveness which may be achieved through upgrading the technology, improving the quality of products and adoption of cost effective techniques of production. Although, the developed countries should realise the vast gap existing in the growth and development between them and the developing countries; yet the efforts are to be made by the latter to catch up the growth level of advanced countries in order to compete with them at the global level.

It should not be forgotten that the rapid progress of the developed countries owes much to the cheap raw materials and labour of developing countries. Therefore, former should provide financial assistance generously to the latter and allow them longer time to make adjustments in the resources in order to reach the level where both types of economies compete with each other on the basis of real reciprocity i.e., equal

treatment for equal partners. The foregoing millennium round at Doha, November 2001 should be utilised by India along with the other developing countries for insisting the implementation of Uruguay 1994 agreements in order to enjoy market access in developed countries. India should oppose again the issues such as multilateral agreement of investment (MAI), social clause (child labour) and environmental standards. They are domestic problems and to be dealt at the domestic level.

It follows from the forgoing discussion that India is facing implications from the new agreements of the WTO which are as follows:

1. The first disadvantage of WTO in Indian context relates to TRIPs Agreements goes against the Patent Act of India (1970) in the following areas:
 - (i) Under the Indian Patents Act only process patents can be granted in food, chemicals and medicines whereas TRIPs Agreement provides for granting product patents also in all these areas;
 - (ii) Under TRIPs Agreement methods of agriculture and horticulture and bio-technological processes (living organisms like plants and animals) are patentable, there is no any exception under the Indian Patents Act;
 - (iii) TRIPs Agreement provides that the general terms of a patent

shall be 20 years. The Indian Patents Act provides for a general term of 14 years for both product as well as process patents. In the sectors like food, chemicals and medicines, process patents are granted for a duration of 5 to 7 years;

- (iv) In Indian Patents system there are reasonable and effective provisions for the compulsory licensing of patents and also for the cancelation of patents in public interest. But under TRIPs agreement there are no such provisions;
 - (v) Under TRIPs no ceiling can be placed on royalty demanded on patents like in the Indian Patents Act; and
 - (vi) Under the Indian legal system, the patentee has to establish a prima facie case that his patent has been infringed. However, under TRIPs the patentee will just have to accuse a person or a company of patent infringement and the person or company will have to prove that he did not infringe the patent.
2. Under Patent Act of 1970 in India only process patents are granted to drugs and medicines. It means that Indian company only needs to develop and patent its own process for producing a drug, even if it can not invent the drug itself. The company can manufacture this drug if it is protected under a product patent abroad. For this the Indian drug companies are allowed to obtain 'licences of right' which allow them to produce, regardless of the process used,

inventions patented abroad. The licences of right can be obtained only 3 years after the original patent is granted. This law effects positively to India. Indian drug prices are lowest of cost in the world. Thus indigenous pharmaceutical grew rapidly, but the granting of product patents will place the reins of Indian pharmaceutical industry in the hands of Multinational Corporations (MNCs) who will exploit this advantage by charging high rates of royalty.

3. In India, plant breeding and seed production are in the public domain. Plant breeding is undertaken by Agricultural Universities and units of ICAR (Indian Council of Agricultural Research), whereas seed multiplication is in the hands of the National and State Seed Corporations. This is to facilitate livelihood for the majority of the population and to become self sufficient in food grains. Patenting of plant varieties will transfer these gains to multinational corporations because almost all new varieties will belong to MNCs due to their strong financial resources.
4. Under TRIPs, not only plant varieties are patented but the large area of micro organisms (who have very small forms of life) is also patented. These include such living creatures like bacteria, virus, fungus, algae, small plants and animals and genes. The economic sectors like agriculture, pharmaceuticals and industrial biotechnology are linked with micro organisms which effects these

industries. In case of agriculture, efforts are being made to develop bio-substitutes for fertilisers and pesticides which are presently not ecological and are poisoning our land and water. In pharmaceuticals, the patenting of life forms will hit the indigenous manufacturing of such drugs. It is estimated that in next two or three decades, 60-70 per cent global economy would rely on biotechnology. In biotechnological factor. MNCs of developed countries are versatile, they use new technology comparatively. Except this the patents in above three sectors concerned with multinational companies. Thus multinational companies will dominate the global economy in the coming years.

5. The developed countries achieved almost everything which they want from TRIMs Agreements. So in order to make the agreement balance from the developing point of view, it is necessary to formulate international rules for controlling restrictive business practices of foreign investors, But the TRIMs agreement is silent on this question and is only concerned with the provisions for elimination of trade related investment measures which is designed to protect the interest of foreign investors in the developing countries. When TRIMs provide market access to MNCs otherwise a drain on the foreign exchange reserves of the developing countries, will aggravate their balance of payments problem and developing countries have been allowed to deviate from the provisions of TRIMs Agreement on balance of payments ground.

6. In service sector there are wide differences in development services like banking, insurance, telecommunications and shipping in the developed and developing countries. That is why the Agreement on Trade in Services is bound to give much more benefit to developed countries than developing countries like India. On the other ground there was also insistence of the developed countries who argued that the opening up of trade in services is very important requirement for the globalisation and development of world trade. The data indicate that the size of the world market for services was \$1000 billion in 1993 of which the developed countries had a share of \$ 950 billion or 95 per cent. The developing countries had only a share of 5 per cent in the world trade of services in 1993. The main exporters of services are the USA, France, Japan and Netherlands. These countries together accounted for about 60 per cent share of the world trade in services. Thus these countries will be benefited more from the new agreement (GATS) in the WTO and the share of developing countries will decline.

In relation to India, service sector is not as underdeveloped as in other developing countries. By new Agreement of Services, India required to denationalise insurance and banking. Now, the foreign firms will be free to expand their network in Indian service sector. They will be free to remit resources to their parents country in the form of profits,

interest, royalties etc. All these will involve a foreign exchange burden on India. As far as Indian firms are concerned, they will find it difficult to compete in terms of quality with those firms which are supplying their services in developed countries but have an advantage of a well developed branch network. Thus it is not easy task for India to penetrate the services sector but given to network and a little consumer oriented approach, the Indian firms may atleast successfully compete in domestic market.

7. The Federation of Indian Export Organisations (FIEO) explains that by WTO, the tariff barriers, non tariff barriers and anti-dumping and safeguards have had a negative effect on Indian exports. The products like floriculture, textiles, pharmaceuticals, marine products and basmati exports to EU, carpet exports to Morocco, match exports to Egypt, sports goods and leather exports to the developed world and meat products to West Asia, have been hit hard by non-tariff barriers, that the developed countries imposed through the use of child labour clause, sanitary and phyto-sanitary measures. Besides these, developed countries impose several anti-dumping and safeguard duties which seriously hurt the Indian industry⁶.

Thus it can be concluded that in WTO system the opportunities and threats both are present. It is necessary in the game of WTO, that India plays every step with caution and alertness. The country needs not to think here and there. The reality is that India is the member of

the WTO and it has to think to meet global challenges to survive and remain competitive in the global market. The threats should be taken as challenges and government face these challenges in its strides.

The next chapter deals with the summary and conclusions of the entire study. It also discuss suggestions for improving the trade relations between other member countries and India.

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CHAPTER-7

CONCLUSIONS AND SUGGESTIONS

A summarised version of the research work is presented in this chapter. It also records the conclusions drawn on the basis of the critical review of the economic liberalisation process kicked off with the establishment of World Trade Organisation and implementation of WTO trade and tariffs regime in India. An attempt has also been made in this chapter to present some important suggestions to exploit the emerging opportunities and to face the challenges to which the country has been exposed by signing the WTO and initiating the process of globalisation.

Chapter first introduces the objectives of the study, sets out the hypotheses, explains the research methodology and makes a review of available literature on the topic of the study.

The deliberations in this chapter find that WTO has influenced the world trade environment significantly since its inception in 1995. The liberalisation process has brought tremendous changes in Indian economy. It has created ample opportunities as well as has posed serious challenges especially before the developing countries. It highlights the need for India to adopt measures that facilitate stronger performance of Indian economy in the globalised world.

The second chapter elaborates that the basis of international trade is of course the comparative advantage to various countries in terms of factor endowment, technological advancement and capital formation. There have always been the conflicts of interest between the trading countries and therefore motivating each of them to protect their respective domestic industries through different methods of protection is imperative.

The chapter further highlights that India, an ancient economic giant could not reap the benefits of international trade due to British exploitation of Indian economy. Almost two centuries ago when India was not independent, developed countries searched for markets for raw materials, sale of finished products, etc. Then imperialistic trend was started. The developed world needed ever expanding markets as they introduced mechanised production resulting in increases in output. The colonies like India were exploited by indiscriminate exploitation of natural resources and its exports to ruling countries at low prices on the one hand and the finished goods were sold at high prices in India on the other hand, leading to two-fold exploitation. It was almost a consistent process of soaking water of Ganga and sponging it out at river Thames.

The legacy of exploitation continues even today with terms of international trade unfavourable to the less developed countries. The advanced countries have been receiving extremely favourable gains and also terms of trade. If this is true then the benefits of international trade are going largely to rich countries. It is leading to increasing

inequalities in income and wealth, trade and growth rate, etc., between the developed and the developing countries of the world. The advanced countries accounted for 57 per cent of world exports while the share of LDCs (Least Developed Countries) in world exports is roughly 35 per cent. Almost two-third of LDCs exports are still absorbed by the advanced countries. In order to get increasing gains from restricted international trade they have started using tariffs and non-tariff barriers to promote their economic growth. Even now advanced countries of North America, Western Europe and Japan use highly protectionist policies. The MNCs of these developed nations show concern for development of underdeveloped countries but are all out to exploit the latter for their own benefits.

Thus, there has been an undeclared trade war. The trade policies of industrial countries have serious repercussions on the rest of the world particularly the LDCs and unless reversed, these policies would harm the liberal world trade regime.

Chapter third is devoted to the study of world trade under GATT regime. It has discussed the objectives, membership, principles, articles, functioning and gains as well as exploitative potential of GATT system. More than two third of the countries of the world including developed and developing are the members of it and about 80 per cent of the world trade is carried out by these member countries. The representatives of these member countries collectively form the Ministerial Conference

to discuss all the trade related matters and make out solutions under the Multilateral Trade Agreements.

There are nine principles of General Agreement on Tariffs and Trade which applied on all the member nations and one can not ignore them. These principles are- principle of trade without discriminations, principle of protection through tariffs, prohibition of quantitative restrictions (QRs), removal of barriers to trade through negotiations, restraint on the use of subsidies, rules regarding the levy of countervailing and anti-dumping duties, rules governing safeguard actions, consultation and principle of stable basis of trade.

The different articles of GATT provide various bindings and opportunities to its members. These articles and their implication have been discussed in detail in this chapter.

The eight multilateral trade negotiations of GATT were held to discuss and negotiate on different issues. They started from 1947 and lasted till 1994. The first round of GATT was held at Geneva (Switzerland) in 1947, the second at Annecy (France) in 1949, the third at Torquay (England) in 1951, the fourth took place at Geneva (Switzerland) in 1956, the fifth called Dillon Round was also held at Geneva (Switzerland) in 1960-61, the sixth was Kennedy Round and it was again held at Geneva (Switzerland) in 1964-67, the seventh round (Tokyo Round) was held in Tokyo (Japan) in 1973-79. The eighth and the last round of GATT negotiations called Uruguay Round was held at Punta del Este (Uruguay) / Geneva 1986-1994.

It is observed that in its working of more than 50 years GATT made tremendous progress in the field related to liberalisation of world trade which led to higher growth rate. Every country wants to get more benefits from it. At least two third of its members are from developing nations. GATT treat all member countries (developed and developing countries) equally. There is give and take aspect in the GATT. Some conditions go in favour of developed countries which may adversely affect the developing countries while some other provisions of GATT favour the developing countries which adversely affect the developed countries.

No doubt, GATT is more favourable to developed countries and encourages their MNCs. It is infact, a rich man's deal. The developed countries are the big bosses and imperialists in the world. They liberalised their trade from developing countries but raised the tariff barriers when developing countries tried to export to them.

India joined the GATT for trade liberalisation and to negotiate with the world. India gained from Most Favoured Nations clause, reduction of tariffs on manufactured goods and increase in foreign trade and global income. Many trade related problems or disputes India has from any country have been resolved by GATT. In the absence of GATT India would have to depend upon bilateral agreements which would have been relatively much more complex.

However, the provisions of GATT are such that the leverage or

favour was largely tilted towards the developed nations and GATT was even named as 'Rich men's Club' by the developing countries.

The Uruguay Round of talks gets a detailed treatment in chapter-IV, which gives a brief idea of Dunkel Draft as the main outcome of Uruguay Round. The Uruguay Round covers fifteen negotiating groups in which 14 are related to goods and 1 is related to services. Amongst these rounds the TRIMs, TRIPs and MFA are of crucial importance which emerged from Uruguay Round of GATT. The TRIMs open the door of financial services sector. Under this, member countries are permitted to adopt their own foreign investment policy. The Agreement on TRIPs cover the areas of patents, property, trademarks, copyrights, industrial design, integrated circuits and trade secrets. It encroaches the country's sovereign right to frame its own legislation or intellectual property matters. The MFA (Multi-Fibre Arrangement) relates to trade in textiles and clothing. Under this arrangement the importing countries such as the US, Canada, Austria, Norway, Finland and European Union impose quota restrictions on imports from developing countries and are now required to slash it down.

As far as developing countries are concerned the Uruguay Rounds may hurt them. As the developing countries are substantial importers of food from developed countries and it is possible that the developed countries may increase the prices of products of most of agricultural commodities such as wheat, rice, meat, dairy products and sugar. While

the developed nations take advantage of this opportunity in the name of better quality, patenting the product and restricting the agricultural and other products' import.

Thus in this process, the poor or developing countries are ignored. The overall implications of the Uruguay Round Treaty are more severe and adverse for LDCs/developing nations than the economic independence and autonomy in the development aspirations of the developing countries. The developing countries including India realise that the price of development is becoming high due to the increasing non-tariff barriers and lesser access to modern technology.

Chapter-V deals with the study of the theoretical foundation of World Trade Organisation since 1995 for liberalising the trade barriers in world trade. In the beginning GATT and WTO coexisted because all member countries were not able to ratify the WTO. Therefore, it was decided that WTO will continue side by side for a year. But after one year, GATT ceased to exist and WTO became a permanent and legal organisation.

This chapter also discusses the objectives, principles, functions, structure and several Ministerial Conferences under the auspices of the WTO. Till date WTO has organised four Ministerial Conferences viz, first at Singapore in 1996, second at Geneva in 1998, third at Seattle in 1999 and fourth at Doha (Qatar) in 2001. The next Conference of

WTO will be held in Cancun (Mexico) in 2003. The chapter further elaborates general implications of WTO on the world economy.

The joining of WTO by the government is aimed at providing free and easy access of world trade to industries, manufacturers, investors, consumers, investment, employees which may facilitate low prices, employment in international market. The WTO has equal opportunities and challenges to different economies. As WTO opens world markets by reducing tariff barriers, better benefits to entrepreneurs are possible. It created challenges by reducing tariff barriers by opening world market for free entry of foreign goods. This has intensified competition in the domestic industry. Thus, exports market ~~has~~ become tough due to competition among developed as well as developing countries.

At WTO the legacy of division of world into two parts i.e., developed and developing nations continues. In the process of meeting the concerns of the developing countries, the WTO has made many provisions but also dictates terms and conditions so much, so that, most of the provisions have tended to be rigid and exploitative for the developing countries. On the other hand the developed world too has also been asked to give concessions to the developing world in terms of reduction in tariffs. The process of reducing tariffs at developed nations is proceeding at a snail's speed and they expect quick quidproquo from the developing world for which they are virtually forced. Many of the developed nations stick to non-tariff barriers like anti-dumping or

environment issues etc. to protect their own markets and industries. Thus for all practical purpose they make their markets more inaccessible for the developing nations and have sabotaged the very spirit of WTO. In order to make it a success and to experience freer flow of world trade the WTO need to work harder with the developed world.

Likewise the rules of the WTO remain imbalanced and are more favourable for developed countries (rich countries) especially for corporate interests of developed countries because they have good command in superior technology and hold a developed marketing structure and finance.

Therefore, an economy to gain from trade liberalisation need to be competent enough to face global challenges and compete with MNCs. The economies have to give emphasis on infrastructural development and use of modern technology in production, development of human skills, cost reduction measures, quality improvement by modernisation and upgradation of products and have to continue domestic economic reforms.

It is observed in this chapter that in the World Trade Organisation a game is being played by rich countries in having the interest of their MNCs served. Few imperialists of developed countries are the big bosses of the world economy and try to make their rules in accordance to have greater advantages from others. They want free trade to increase market access in developing and less developed countries but in their own home

industry they increase protection regarding their new products, industries and technology.

Chapter-VI highlights the impact of WTO on Indian economy. The critical review made under this study reveals the specific impact of WTO agreements in important sectors of Indian economy as follows:

Agriculture: The objective of the WTO agreement is to establish a fair and free market access to the agricultural products. As per the agreement, all agricultural tariffs will be reduced by an average of 36 per cent in a period of six years and 24 per cent in a period of ten years by developed countries to facilitates trade of the developing countries. This would help India no doubt. By tariff reductions import become cheaper which will effect the domestic market of India. Reduction in export subsidies on farm products in the developed countreis will make the Indian agricultural exports more competitive. By this agricultural exports will increase.

WTO is expected to pose the most serious threat to Indian agriculture. Agricultural productivity in India is less in comparison to developed countries. Majority of the farmers are marginal and small. Lifting of the QRs on the food imports, withdrawal of subsidies from the farm sector and enforcement of the TRIPS would compound the problem. One of the most threatening point of WTO would be the easy availability of cheaper and better quality of foodgrains. Horticultural and Dairy products will also be affected. Permission to import fruits

and dairy product under Open General License (OGL) has facilitated the availability of the best quality of fruits, fruit products and dairy products at cheaper rates. Unless the farmers are able to increase productivity of their lands, they would not be able to compete with cheaper imports. Withdrawal of subsidies will increase the prices of all inputs. The prices of fertilizers, irrigation, chemicals and seed would go up and cost of production will increase. It will be extremely difficult for the smaller farmers to survive in the market. Countries with very low cost of production and excellent foodgrain quality, having massive surplus stocks would flood the Indian market with their produce. This would render the Indian foodgrains uncompetitive globally.

Textiles and Clothing: By exports of textiles from a number of developing countries including India enjoy advantageous position. India will be able to secure large share of low and medium priced garments export market because of cheap labour. But on the other hand developed countries restrict their import in textiles and clothing through quotas to protect their domestic market. Thus the benefits that are likely to occur from exports of textiles and clothing will be minimal. Rich countries are trying to bring child labour and environment issues into trade which is unfavourable to India.

TRIPs: The important area of TRIPs is patent. Under TRIPs agreements from the plant, animals, medicines, micro-organism, genes to industrial bio-technology are patented. The patenting system will increase the

prices of Indian products especially in the sectors where India has comparative cost advantage which will lead to a tough competition. This will affect the producers and ultimately the consumers of India. Another aspect is that India has paucity of fund so it can not get patented its products and TRIPs rules are binding for every country. Some countries have enforced TRIPs while others would implement them in few years. Another effect is that India can not use the products which have been patented by other countries. It will have to pay higher prices and royalty for the use of these products. The patent holders have a monopoly to use their products. To get patented the same product India has to wait for next 20 years when the current patented tenure expires. When India patent these products and start production there may be possibility that the product value will get undermined by the new product in the market..

On the other hand this agreement will improve investment planning and flow of foreign private investment into India. The industrial sectors which invest in research and development will be benefited as they would get patented their inventions and innovations.

TRIMs: When various multinational companies make their investment in India there will be possibility of merger and acquisition of Indian company with MNCs.

But on the other sides foreign exchange earnings will enter in India and investors will come with advanced and latest technology. This will be beneficial for India.

GATS: Under the agreement on trade in services most favoured nations treatment must be extended from the supplier of one country to the supplier of another country. It means that the services like banking, insurance, investment, tourism, health etc. will be bound by the WTO agreement that the market access should be open to all these services in different countries.

So, India will have to open-up its service sectors to other WTO member countries. This will result to allow entry of overseas service providers into the service sectors in the country which might check the growth of domestic enterprises.

Through liberalising trade in services the qualified people of India would get good job opportunities abroad in hotel, accounting, computer software, engineering, financial consultancy services etc. But on the other side computerisation in service sector would bring structural changes in employment. Traditional job seekers would find it difficult to get job unless they equip with computer knowledge.

Small and Medium Enterprises: WTO provisions for reduction of tariff rates and removal of quantitative restrictions would provide easier market access. But in International trade people will buy imported

products with latest technology and at cheaper prices which will lead to competition in all products of small scale industries. And the Indian small scale industries can not stand against MNCs because of huge technological gap. Thus Indian SMEs would face competition not only from MNCs but also from Indian large companies.

Thus, there are numerous implications of WTO agreements enforcement. It provides opportunities, advantages, as well as disadvantages. The most of the clauses of the agreement have been framed in such a way that the real benefit goes to developed nations. The agreements regarding agriculture, agro based industries have good potentialities, but agreements regarding TRIMs, TRIPs are discriminatory and deal in such a way that lead to unjustified competition. The economic status of the developed and the developing countries are different and developing countries are not capable to respond to the competition. It is like "equal treatment to unequal". Under the existing circumstances, the developed countries would be able to utilise resources of developing countries and resultantly there will be huge accumulation of wealth in their economy.

Moreover, at WTO largely the small and poor countries are ignored and they are not allowed to succeed to show themselves. The richest 20 per cent countries of the world's population consume 86 per cent of the world's resources whereas poorest 80 per cent countries of the world's population consume only 14 per cent of world's resources.

Developed countries introduce new issues if they expect that developing countries have comparative advantage in an agreement which is unfavourable for developed countries. Such as introduction of labour standards pertaining to export of textile, carpet etc., in which India has comparative advantage in international trade by cheap labour. Consequently this aspect goes against India to compete in international market. Further, WTO rules are not transparent. Some time selected countries are invited in its Ministerial Conferences while other countries do not know what negotiations are taking place. They are not informed and not allowed to attend the meeting. Still some times rich countries coerce smaller countries to agree to the new rules and decisions, otherwise there will be arm twisting exercise in negotiations. Thus, its implications are more severe for developing countries. The only way to face the challenges in these situations is that, developing countries including India should upgrade their technology, improve managerial effectiveness, developed - cost - quality effectiveness in their products and ensure reliable governance in their country.

Suggestions

Given the fact that India has signed the WTO agreement way back in 1995 making the globalisation a fate accompli for the nation. There is no room for the debate that whether the India should proceed further on the path of globalisation or should opt out. The clarion call of the day is to assess the present world economic environment, to evaluate

the various provisions of WTO and then prepare our domestic policies. India on the one hand, will have to face challenges from the technological and financial soundness of the developed world and, on the other, will have to compete with the exporters of developing nations having similar advantages that India is having.

In addition to above said challenges there are ample opportunities that have emerged with the establishment of WTO. By adopting a cautious trade policy and with entrepreneurial skills India may be able to draw benefits from these opportunities. Some of the important suggestions on different issues that may influence India's position in the new world economic order are listed below:

Agriculture

1. The WTO provisions have created wide range of implications for the agricultural sector. On the ground of having a negative balance of payment India has been able to escape most of the negative effects of these provisions atleast for next few years. This available time period may be utilised by India by aggressively adoptig the newer technologies used by the developed world in order to increase the productivity per hectare. We need to go for another green and white revolution, so that we not only become self sufficient in food but are also able to export by exploiting the provisions of WTO that facilitate increased market access of the developed world.

2. Poor rural infrastructure in the primary sector needs strengthening.
3. India should encourage the private capital in the field of irrigation and mechanization of agriculture. This would increase productivity and reduce the cost of production per unit, making the Indian produce internationally competitive.
4. There is need of new orientation to the post harvest management of agricultural produce.
5. Improvement in the internal marketing procedures are called for.
6. Shifting of food grains to the cash crops like tea, coffee, cotton, sugarcane etc. may be considered. It will support industrial sector as well as create exportable surplus with the industrial sector.
7. India should encourage and restructure the Research and Development as per requirements of farmers in the areas of biotechnology, seed developments and tissue culture etc.
8. There is a need for working out a correct policy for the farm sector. The farmers are required to be educated about the implication of the WTO agreements.
9. Special economic zones should be created and they should be given preferential treatment.
10. India's agriculture has to re-shape itself in such a manner that we exploit potentially favourable situation and get maximum benefits.

Minor Forest Produce

1. Steps needs to be taken towards more dissemination of knowledge about Scientific Procurement and Processing of Minor Forest Produces (MFPs) to enable the cultivators/collectors to develop their skills and to improve expertise in marketing the products.
2. Various government departments both at the centre and the state level should act in a concerted manner to make the growers/collectors more aware of the market practices and undertake training programmes towards primary processing, value addition and other aspects of marketing of agriculture and forest products. There must be a convergence of these efforts of all the concerned departments at the village level.
3. Evolve a system of appropriate quality standards for major agricultural and forest commodities. These standards should explicitly incorporate the requirement of other countries.
4. Provide infrastructural facilities such as cold stores, warehouses, testing laboratories, etc.
5. Even though the cooperative societies have been largely unsuccessful, a programme to revitalise them through proper management and constitution of cooperative societies with genuine growers participation both in management and in the decision making process need to be attempted, with avoidance of the system of nomination of members by the Government.

Textiles and Clothing

1. Before exporting the products Indian manufacturers and exporters should properly segment the market on the basis of countries, age, culture, class, sex etc. Indian manufacturers and exporters need to study which particular product is highly demanded in a particular country or countries, then produce those type of quality products and sell them accordingly. This will increase the exports. For example in India the high class people demand high quality of products with latest designs and prints whereas the middle class people prefers good quality of textile at reasonable rates. Thus for textile exporters of India, segmentation on the basis of income will be beneficial.
2. Indian textile should have exclusive design and create a product image in the international market.
3. Indian exporters should be encouraged to actively involve themselves in the promotion of textile products through publicity/ advertising, personal visits to foreign countries to emphasise the image of the products as well as company, participation in international trade fairs and participation in buyer - seller meets organised by various export promotion agencies.

TRIPs

1. TRIPs is one important challenge before India under the provisions of WTO. Indian industries are likely to get initial jolt by this Act.

However, there are industries which can get their products patented and take similar benefit. Computer software technology is such an example.

2. Needless to say that with the implementation of the product patenting the total production of few goods may get adversely effected and consequently there could be a demand and supply gap which need to be taken care by the government atleast in the short run. The short term arrangement would help the nation to avert any short run crisis in relation to a product of necessity.
3. Further the Patent Act is likely to hit the drug market more severely and in all likelihood the prices of most of the essential and life saving drugs will shoot up (as discussed in chapter six). It is suggested that government need to evolve a public distribution system which facilitate life saving drugs to, atleast, the masses living below poverty line at affordable prices.
4. It is shown in chapter six that despite patenting there is wide price difference in America and in Pakistan for the same medicine (for example the prices of Reindicting/Zincate drug in USA were Rs.744.65 whereas in Pakistan its prices were Rs.260.40). India has similar advantage as in Pakistan, thus even after patenting the products that we produce price may be much cheaper when comapred to the medicines produced in America / USA. This would create better export opportunity for India.

TRIMs

1. Encourage larger investment in the area of production where we have comparative advantage.
2. Multinational participation must be invited in the infrastructure development sector, like cold stores, warehouses, testing laboratories. By this India will get technical advantage.
3. The Indian Industries still are running on outdated and obsolete technologies. The world is changing fast and for that we have to adopt latest technology either through foreign collaboration or any other method. In the short run, the foreign exchange will flow to developed countries but in long run this will reduce technological imports and further huge foreign exchanges outflow.

By adopting latest technology we can face global challenges and can compete with other countries like China, Japan etc. This will create a goodwill of India and increase its share in world market.

GATS

1. The WTO also provides for inclusion of services. Though India may not compete with the services provided by developed nations; but may definitely compete with the other developing and less developed countries. Some of the managerial and technical collaborations may result in substantial positive changes in the Indian service sectors.

2. India should improve its quality in service sector by which it can compete and be acceptable in international market.

Small and Medium Enterprises

1. A technical information section and an industrial training institute, testing laboratories, general engineering workshops, common tool room, small industry extension centres, raw material depots and marketing agencies should be set-up for the benefits of entrepreneurs.
2. The State Industrial Development Corporation (SIDCO) and Directorate of industries should establish their branches throughout the country to develop new Industrial Estates and also to look after the problems faced by small scale industries such as lack of finance, shortage of powers, lack of proper marketing set-up, obsolete technology etc. and take necessary action for the removal of problems of entrepreneurs.
3. Today, banks are charging 3 to 4 per cent more than Primary Lending Rate (PLR). Taking into account the service charges, hidden charges of banks, panel interest etc., the funds are available at not less than 16-18 per cent rate of interest. The possibilities of restoring the earlier practice of specifying the maximum rate of interest instead of the minimum as at present-should be explored.

4. Taking into account the strain on the banking system with respect to non-performing assets, the banks are cautious in sanctioning loans to SME units. It is highly desirable to delink them from priority sector lending so that the number of defaulting accounts comes down and more finance will be available to SME units.
5. The institutional credit available to SME units was quite inadequate. It is suggested that other financing agencies like NBFCs, Mutual Funds should be allowed to lend to SME Units.
6. There is a need to increase employment and productivity per employee in the SME sector to make them more competitive. Suitable training programmes may be evolved.

Sanitary and Phyto-sanitary

1. India should maintain value of product hygienically. It ensures that product do not lead to infiltration of diseases and pests. They are safe from all unhygienic causes. Preventive health care is taken as comes under Sanitary and Phytosanitary (SPS) Agreement. For SPS it should apply measures such as clean environment, healthy cattles, fresh vessels for their food etc.

Quality

1. The developed nations are very conscious in the quality of the products. They have enough resources to buy the quality products.

Thus Indian exporters should provide goods and services at the quality level which are in demand in international market. The quality should be improved by mechanisation and upgradation, in the existing technology. By this Indian products can get favourable and preferential acceptance.

2. In India no attention is paid on the packaging of the product, whereas most of the countries are spending lot on good packaging because it is the packaging which induces the customers to purchase the product. It creates temptation to buy the product, and leaves good impression in the mind of the purchasers. If the product with improper packaging goes to international market it can not create a goodwill in the mind of the customers and loses its identity. Thus it should be properly packaged. The people who are quality conscious are ready to pay higher prices.

Cost

1. India is the country with huge population and it is assumed that it has the advantage of low labour cost leading to low cost of production. The Indian manufacturers should make efforts to reduce cost of production by reducing wastages due to electricity failures, strikes, lockouts and make optimal utilisation of resources, efficient utilisation of available technology etc. Many of the countries like China, Bangladesh etc. are supplying their products at lower

prices. Therefore Indian manufacturers lower their cost of production which help in domestic as well as international market.

2. The Indian manufacturers should be provided with high quality of raw materials at reasonable prices, credit at low rate of interest and infrastructural facilities like stores, warehouses, testing laboratories, etc. should be improved. This will help them to be more competitive with improved quality and reduced cost of production.
3. The price of primary commodities of special interest to developing countries should be stabilised through international agreements and assistance should be given to developing countries in diversifying their commodity sectors.

Tariffs

1. Import policies require further simplification and import tariffs need to be reduced in view of the challenges faced by the country in new WTO regime.

Technology

1. The world is changing fast. Manufacturers should make themselves aware that what changes are taking place in the fashion trends, tastes, technology, etc. The manufacturers should be ready to adapt the changes and produce according to the emerging demands.

The study concludes that it is time India should focus attention to the challenges posed by WTO to various sectors of Indian economy. Steps should be taken by taking into account the above suggestions to tackle the implications of WTO regime effectively. If India takes this lead the other developing countries would follow suit giving the right to India to lead them in the WTO.

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